

Sales, Marketing & Innovation Capabilities of Irish Exporting SMEs

*A report to the Ministers for Enterprise, Trade and Employment;
Education and Science; and Agriculture and Food*

Innovate Market Sell

**Review of the Sales, Marketing and Innovation
Capabilities of Irish Exporting SMEs**

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Dear Ministers

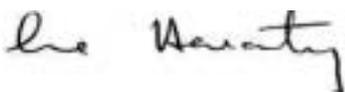
The dynamic of the international marketplace is changing rapidly and dramatically. The advent of electronic sales systems, mass customisation of goods and services and globalisation of marketing and taste are driving an unprecedented pace of change, which places increased demands on the sales, marketing and innovation functions within enterprises. With this in mind, we set out to examine the Human Resource implications for exporting SMEs and to advise government on approaches to address any identified weaknesses.

A key aspect of this report is “*closing the loop*” between innovation and market knowledge. Innovation will prove commercially successful if it is genuinely customer-driven. Sales and marketing performance depend heavily on the ability of people in these positions in enterprises to communicate marketplace opportunities to their product/service development base. Front-line sales and marketing staff appreciate the needs of their customers and recognise the trends and values in their markets. These must be effectively communicated back to their enterprise colleagues engaged in the development of new product and service offerings.

The report of the Enterprise Strategy Group, (“*Ahead of the Curve: Ireland’s Place in the Global Economy*”) also identified the enhancement of sales and marketing capability as one of the key challenges facing our enterprise sector.

We believe this report is timely and we are pleased to submit it to you on behalf of the agencies that collaborated in its development. We also wish to express our appreciation to the members of the Steering Committee who oversaw the study.

Ireland has a strong economy and a high propensity to entrepreneurship. We are confident that implementation of the recommendations in this report will contribute to continued success.



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Expert Group on Future Skills Needs



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EXECUTIVE SUMMARY

Small and Medium Enterprises play a key role in Ireland's economic performance both in terms of Gross Value Added (GVA) and as an engine for future growth. The vast majority of Enterprise Ireland and Bord Bia client companies (almost 3,000 and 700 respectively, with some overlap) are SMEs and collectively in 2003 they accounted for employment of 150,000, exports of €11 billion and expenditure of almost €17 billion. Irish SMEs will face increasing competition from low cost overseas manufacturers, unless they can move up the value chain and develop world class sales and marketing skills.

This report presents a review of the marketing, sales and innovation capabilities of exporting Irish SMEs carried out for Forfás, Enterprise Ireland (EI), the Expert Group on Future Skills Needs (EGFSN), and Bord Bia. The main objectives were to:

- Identify key metrics that will allow comparison of Irish indigenous marketing capability with that of another country;
- Review and compare the marketing and selling practices of Irish-owned, exporting SMEs;
- Identify best practice across exporting SMEs in Ireland and elsewhere;
- Assess the supply and demand for (i) sales and (ii) marketing skills in relation to exporting SMEs, both in terms of quantity and quality; and,
- Recommend initiatives to redress any identified deficiencies.

The report highlights the importance to Irish export-oriented SMEs of striving to achieve best practice in marketing, sales and innovation capabilities in order to remain competitive in international markets. It identifies success factors among the better performing Irish and overseas SMEs, draws conclusions on performance gaps in the Irish SME sector and makes recommendations on how these gaps can be bridged.

MEASURING MARKETING AND SALES CAPABILITIES

Detailed research was carried out into international best practice in marketing and sales capabilities. In addition 63 Irish based and 30 European high performing SMEs across a range of sectors were surveyed to measure and compare Irish performance in these capabilities. The Irish firms were selected for their likelihood of exhibiting 'best practice'. Consequently the problems they face are likely to be present, and indeed more pronounced, in the broader population of exporting SMEs.

Issues relating to marketing and sales skills in Ireland were examined as was innovation, a key component of marketing capability. The study defined which capabilities are important and devised a marketing, sales and innovation scorecard to measure them as a basis for planning performance improvements.

KEY FINDINGS – SALES AND MARKETING

SMEs find it difficult to source suitable qualified experienced sales staff

Analysis of sales and marketing throughputs from second and third level education suggests the existence of significant human resources in these disciplines in Ireland currently, with:

- Almost 50% of secondary students exposed to sales and marketing concepts; and,
- An output of over 1,500 marketing third level graduates each year with a further 5,600 having marketing as a minor element.

In addition, almost 140,000 people are employed in a sales capacity in Ireland, mainly in retail, distribution and

banking. This represents a significant number of sales personnel, some of whom would have the potential to move into marketing and sales roles in internationally trading SMEs, if they were provided with appropriate education and training opportunities.

However, although the supply of these skills appears adequate in quantitative terms, the Irish SMEs surveyed encounter significant difficulties in sourcing high calibre sales personnel with international experience and sectoral knowledge.

Increasingly, Irish firms are looking abroad for people who can bring immediate value through their existing industry knowledge and contacts. However, it is not always possible to attract suitable candidates, as joining an Irish SME may not fit in with their career path.

Third level marketing and sales courses are not sufficiently aligned to SME needs

The Irish SMEs surveyed identified the lack of practical business skills (obtainable through industrial placements/ internships) among recent graduates as an issue of particular concern.

SME sales personnel receive insufficient sales and marketing training

In Irish SMEs surveyed, only 25% of sales staff have a sales or marketing qualification. Furthermore, only 22% of sales staff receive planned training annually.

Feedback from training organisations indicates that ability to pay for training is a big issue for SMEs who prefer reasonable cost, action-oriented courses delivering tangible short-term benefits. Focused short courses are preferred, capable of being delivered in the workplace within months rather than over an academic year.

Feedback from the survey of Irish SMEs bears this out, with training needing to be more accessible and focused and, where possible, delivered on a sectoral basis.

Sales management, marketing planning and new product development (NPD) are key areas for improvement

Sales management was cited as the key area for improvement by 63% of Irish SMEs with marketing planning and NDP next, both at 46%.

Feedback from the SMEs indicates a variable quality of sales management, with weaknesses arising from a lack of expertise and training, and difficulties of transiting from top salesperson to sales manager.

Market research capabilities need to be strengthened

While the Irish SMEs surveyed appear more confident in their market research capability than their international counterparts, 43% of them identified market research as a skill area requiring strengthening.

Scope exists for improved usage of information technology

Almost 59% of Irish SMEs surveyed had high quality websites (32% in terms of content and a further 27% in terms of integration with business processes). Use of IT to improve selling efficiency is low with only 50% of firms (Irish or overseas) having integrated systems. IT solutions employed by Irish SMEs range from simple databases to off-the-shelf software to customised solutions. IT systems provide a critical opportunity for innovation and there is scope for improvement here.

Corporate branding and promotion are lacking in many SMEs

Firms focus on corporate branding to create awareness and a corporate identity as opposed to product branding and advertising. Over half the Irish SMEs surveyed do not have a clear corporate brand development plan while 37% do not have a formal promotional budget.

KEY FINDINGS – INNOVATION CAPABILITIES

Innovation is a priority with the majority of SMEs surveyed targeting ‘breakthrough’ products and services

Firms surveyed saw innovation as one of their most important success factors. While this mainly focused on new technologies or new products and services, it also included new ways of working and new commercial arrangements. Most firms surveyed were focusing on product and technology innovation, with over half of Irish SMEs surveyed targeting ‘breakthrough’ rather than incremental innovation.

Customers are the key source of innovation while links with universities and research centres are weak

The fact that customers are the most important source of ideas for innovation reflects a very customer focused attitude on the part of Irish SMEs that many claim as a critical success factor. SME links with universities and research centres are weak, possibly reflecting the difficulties in commercialising academic research.

Innovation management processes are a weakness

Less than half of SMEs surveyed were satisfied with their idea generating and idea screening processes - indicating a lack of understanding of such processes and a lack of ‘tools’ to structure this early phase of innovation. This highlights a need for upskilling which, if not addressed, will remain a significant barrier to SMEs becoming more innovative and competitive.

Recommendations

A total of 8 recommendations, with 23 associated actions, are proposed, as listed in Table A.

Table A: Recommendations and Actions

Recommendation	Actions	Implementation
Recognising SME needs in education		
1. Align third level marketing and sales curricula more closely to the needs of SMEs.	A. Incorporate modules that focus on the practical capabilities required by SMEs in third level marketing and sales curricula; B. Make industry placements an essential part of all business, marketing and sales degree courses; C. Improve networking between third level institutions and SMEs, e.g. by increasing and pooling the resources allocated to industry liaison; and D. Incorporate marketing and sales modules in curricula of technical disciplines in third level institutions.	Higher Education Institution (HEIs) HEIs HEIs; Enterprise Ireland HEIs
Tailoring training programmes to SME needs		
2. Provide training in sales and marketing for personnel in SMEs with no qualification and/or insufficient sales and marketing training.	A. Develop training programmes to up-skill sales personnel from a technical background in sales and marketing competencies.	Enterprise Ireland; Training Providers
3. Make training more accessible, focused and action-oriented, and provide on a sectoral basis, where possible.	B. Expand the number of tailored, action-oriented, sector-specific training programmes, aligned to the level of experience of participants and accessible to SMEs.	Enterprise Ireland; Training Providers

Recommendation	Actions	Implementation
Meeting the demand for experienced sales personnel		
4. Assist SMEs to source experienced sales staff.	A. Provide support in recruitment, e.g. sourcing personnel through targeting, financial support, etc, and in human resource management, e.g. defining skill gaps, job specs, remuneration packages, etc.	Enterprise Ireland
Developing best practice in marketing and sales capabilities		
5. Develop world-class marketing and sales competencies among SMEs.	A. Develop an awareness campaign to highlight the merits of improved marketing and sales capabilities; B. Develop a portal to facilitate sharing of best practice in marketing and sales; C. Provide a marketing and sales capabilities benchmarking service e.g. using a marketing and sales capability scorecard as developed in this study for Irish SME needs; and D. Develop placements of SME personnel within MNCs to learn best practice.	Enterprise Ireland; Bord Bia
6. Improve sales management in SMEs.	A. Provide sector-specific sales management training and support in sourcing experienced sales managers; and B. Provide advice on IT solutions for sales management.	Enterprise Ireland; Training Providers
Developing best practice in innovation capabilities		
7. Promote innovation among SMEs.	A. Develop an awareness campaign to increase SME awareness of the importance of innovation; B. Provide an innovation auditing service to SMEs, e.g using an innovation capability scorecard as developed in this study for Irish SME needs; C. Encourage collaboration between the innovation and marketing functions in SMEs to ensure innovation is market led; and D. Provide support to SMEs in identifying future innovation trends.	Enterprise Ireland; Bord Bia
8. Cultivate expertise in innovation.	A. Make innovation an integrative subject at third level; B. Provide basic skills training in innovation process management for technical and marketing staff; C. Develop a portal to facilitate sharing of best practice linking marketing and innovation; D. Support placement of SME innovation personnel within MNCs to learn best practice; E. Expand the number of tailored, action-oriented, sector specific training programmes; and F. Develop innovation management processes tailored to SME needs.	HEIs Enterprise Irl. Enterprise Irl. Enterprise Irl. Enterprise Irl. Enterprise Irl.

1

INTRODUCTION

1.1 REPORT OUTLINE

This report summarises a review of the marketing and sales capabilities of Irish SMEs providing internationally traded goods and services and was commissioned by Forfás, Enterprise Ireland, the Expert Group on Future Skills Needs, and Bord Bia. It benchmarks the performance of such Irish SMEs against a selection of SMEs in other EU states to compare Irish and European best practice.

This study is relevant to SMEs¹ that are engaged in exporting goods and international services, as distinct from those that only serve the domestic market. The majority of such SMEs are clients of Enterprise Ireland, Bord Bia, Shannon Development or Údarás na Gaeltachta. They constitute approximately 3,000 firms, which is only a small percentage of all SMEs in Ireland, but their contribution to the economy is very important as Section 2.1.1 illustrates.

The report identifies the factors that are important for these SMEs to succeed in growing profitable export businesses. Specifically it identifies qualitative and quantitative features that characterise the better performing companies, both in Ireland and in other comparable countries. The report puts forward recommendations on how companies can bridge the gap with best practice examples illustrated by way of case studies.

1.2 OBJECTIVES

The objectives of the study as set out by the Steering Committee in the Terms of Reference were to:

1. Identify key metrics that will allow comparison of Irish indigenous marketing capability with those in another country;
2. Review and compare the marketing and selling practices of Irish owned industry;
3. Identify best practice across SMEs in Ireland and elsewhere;
4. Assess the supply and demand for (i) sales and (ii) marketing skills in relation to exporting SMEs, both in terms of quantity and quality; and
5. Recommend initiatives to redress any identified deficiencies.

1.3 DEFINITIONS OF MARKETING AND SALES

Definitions of marketing and sales underlie the evaluation and conclusions of the report so it is important to set them out initially. Marketing and sales are part of a continuum that is now also recognised as embracing innovation.

High level *strategic marketing* is identifying where to position a company and its products / services / technologies / processes in the marketplace in relation to customer needs, competitors, available technologies, alternative solutions, etc. This task is undertaken periodically and involves market

¹ The European Commission defines small enterprises as those having 10-50 employees, with annual turnover not more than €7 million; and medium-sized enterprises as having not more than 250 employees and a turnover of not greater than €40 million. The turnover thresholds will increase from 1 January 2005 to €10 million for small enterprises and to €50 million for medium-sized enterprises.

research and detailed analysis using various planning tools. It is essentially part of a company's overall strategic planning process.

Operational marketing is the day-to-day implementation of the strategy in terms of identifying and communicating with specific potential customer groups and individual customers, as well as reaching the various customer decision makers and influencers in the buying process. It also involves ongoing promotional activities e.g. advertising, public relations, promotions, trade shows, branding, and customer education. These are all designed to create awareness and interest among target customers, both trade and end-user.

Sales is the process of winning business. Historically companies made products that they thought might sell and the sales force went out and tried to win orders from retailers and other trade customers. Buyers dealt with numerous suppliers and each had a chance to win at least some business. Sales people were, to a large extent, order takers. Today, however, customers are seeking a close relationship with a small number of long-term suppliers by way of complex contracts. The sales process can be lengthy and involve many supplier and customer commercial and technical personnel interactions covering everything from product technical specifications to the details of where and when product should be delivered over the life of a contract. This has resulted in a need for executives with more sophisticated sales skills and a strong industry or technical background. In addition, there is a need for top class sales management skills to guide and manage the sales force, and for key account management skills to coordinate the multiple interactions with the client and to ensure that key decision makers are given all the information and attention they require.

2

BACKGROUND TO THE REVIEW

This section highlights the role of export-oriented SMEs in Ireland's economy and why strong sales and marketing capabilities are critical to their survival and growth.

2.1 SMEs ROLE IN IRELAND'S ECONOMIC PERFORMANCE

The importance of internationally trading SMEs to Ireland's economic performance lies both in gross value-add (GVA) and in their role as an engine for growth.

2.1.1 A major contributor to the economy

The majority of Enterprise Ireland's 3,000 and Bord Bia's 700 client companies (with some overlap between the two) qualify as SMEs. Conversely, EI seeks to include all internationally trading SMEs in its client base. Therefore it is not unreasonable to use the aggregate data pertaining to the EI client base as a measure of the role of such SMEs in the national economy. Collectively, Enterprise Ireland client companies in 2003 accounted for employment of 142,000, exports of €10 billion (of which food accounts for €6.4 billion) and expenditure of almost €17 billion on wages, raw materials and services (see Figure 1).

Figure 1: Importance of internationally trading SMEs to Irish economy

	EI Client Companies ²	IDA Ireland Client Companies ³
Employment	142,000	129,000
Export Sales	€10 billion	€65.2 billion
Irish Economy Expenditure	€17 billion	€14.7 billion

Therefore, export-orientated SMEs employ a greater number, and contribute more to the Irish economy in terms of direct expenditure than foreign-owned firms. However, in terms of export sales, the indigenous sector is out-performed six-fold by the foreign-owned sector.

2.1.2 A vibrant overall SME sector underpins a healthy economy

The contribution of a vibrant SME sector to a healthy economy is well recognised:

- Economies and industries which are characterised by large numbers of small firms are found to be more reactive, innovative, competitive and less volatile⁴.

2 Enterprise Ireland Annual Report 2003 and Irish Economy Expenditure Survey 2003.

3 IDA Ireland Annual Report 2003.

4 Small Business Failure in Ireland, Department of Enterprise, Trade and Employment, 2001.

- “For over a decade small businesses have been the main source of employment growth and a major vehicle for change. Since 1995 small companies have created 415,000 new jobs and account for almost 62% of employment and 60% of national turnover”⁵

2.2 THREATS TO SURVIVAL AND GROWTH

2.2.1 Ireland ranks well in European entrepreneurship terms

Ireland ranks well in entrepreneurship terms against European comparisons. A survey carried out for the Global Entrepreneurship Monitor (GEM)⁶ found that:

- 9% of Irish adults (equivalent to 208,000) were either starting up a business or engaged in one started since 1999; and
- Ireland’s rate of entrepreneurial activity at 12th of 37 was ahead of most European countries and one of the highest in the developed world.

The Flash Eurobarometer⁷ survey on entrepreneurship saw our propensity towards self-employment (preference for self-employment as a professional option) as the second highest in Europe, as illustrated in Figure 2.

Figure 2: Propensity towards Entrepreneurship 2002



2.2.2 Further improvement is needed

There is no room for complacency, however, as Ireland lags other European countries on some key delivery measures and European performance is generally well behind that of the US:

- 19% of Irish firms’ turnover came from new products or services introduced in the past two years (10th in Europe) vs 31% best practice (Portugal) and EU 15 average 22%;⁸
- The US leads the EU in 10 of 11 key indicators; at current rates, none of the gaps will be closed before 2010;⁹

5 Entrepreneurial Activity in Ireland, SFA, July 2002.

6 Global Entrepreneurship Monitor 2002.

7 Flash-Barometer No. 134 European Commission 2002.

8 EU Innobarometer 2002.

9 European Innovation Scoreboard 2003.

- The Institute for International Management Development (IMD) survey, quoted in the National Competitiveness (NCC) 2003¹⁰ review ranked Ireland 11th of 16 countries in marketing and customer satisfaction.

2.2.3 Small firms operate in a hostile environment

Small firms operate in an increasingly competitive and hostile environment and many do well to survive, let alone prosper and grow:

- 33% - 41% of small firms fail within the first five years;¹¹
- “The capacity to absorb negative shocks, or even declining markets, will neither have been called upon nor tested in a majority of Irish small firms”¹².

As low cost overseas manufacturers develop from simple contract manufacturing to making and selling their own products, all Irish SMEs will face increasing competition, unless they can move up the value chain and develop world class sales and marketing skills. As a business location, Ireland is now high cost, albeit still more competitive than other advanced western economies. The opening up and modernisation of Eastern Europe and China has completely changed the global manufacturing scene. The availability of low cost highly qualified engineers and other staff in Eastern Europe and India is affecting the location of design and administration staff.

These countries have wage and cost levels only a fraction of those in more developed countries, and have built up an infrastructure and skills base that allows them to offer reliable, low cost outsourcing. Many Irish SMEs are already sourcing manufactured components and finished products from low cost countries, while software and electronics firms are outsourcing development work to India, Russia and elsewhere.

Irish SMEs thus operate in a truly global economy where the paramount importance of the supplier-customer relationship is evident, and it is the marketing and sales functions that maintain this relationship.

2.3 SALES AND MARKETING CAPABILITIES CRITICAL TO SUCCESS

2.3.1 Markets are increasingly global

Exporting Irish SMEs are no longer confined to selling in adjacent or primarily English speaking markets. If they can offer a cost-effective solution to a customer’s need then they can sell anywhere. Whereas historically a customer would be concerned about buying from a supplier thousands of miles away, today that is no longer the case. Huge improvements and cost reductions in telecommunications, air travel and global express logistics services, combined with the proliferation of English for business communication, mean that the previous physical, financial and psychological barriers have been largely eliminated.

Since SMEs often serve niche markets, they may have only a few customers in any one country and of necessity must expand internationally - they may be one of the few suppliers in the world offering a particular solution.

Either way, many Irish SMEs must have the marketing and sales capabilities to deal with a broad range of culturally diverse markets.

2.3.2 Irish SMEs export at an earlier stage

Ireland is a very small market and, to grow, Irish SMEs must export at an earlier stage in their development than similar SMEs in larger countries such as Britain or Germany. This in turn means that

¹⁰ The Competitiveness Challenge 2003, National Competitiveness Council.

¹¹ Small Business Failure in Ireland, Department of Enterprise, Trade and Employment, 2001.

¹² Enterprise Ireland End of Year Statement 2003.

Irish SMEs must acquire the skills to become successful exporters early on. Our closeness to a large and very similar UK market makes the initial transition relatively easy. Early successes, however small, give SMEs the confidence to develop export markets.

However, most SMEs focus on specific market niches, and many find that they must look beyond the UK before too long. While English is the business language in many countries and sectors, awareness of culture and business practice may be lacking.

2.3.3 World-class sales and marketing is essential

Every threat is an opportunity, as demonstrated by the strong performance of the Irish exporting SME sector in 2003 in a negative international business environment. Shifts in technology, regulatory environment, industry structure or other market drivers, can provide SMEs with real opportunities. The rules change for all players, and established players may not be able to adapt as fast as more flexible ones.

Markets today are thus more complex and faster changing than ever before. Competition is coming from countries that a decade ago would never have featured in an Irish SME's business plan. This means that Irish SMEs have no option but to be better at sales and marketing than the newcomers.

In SMEs the strengths of the company tend to be the strengths of management and vice versa. Internal managerial weaknesses feature regularly in studies (of business failure), including marketing, sales and particularly export sales, financial planning, control and monitoring¹³.

It is thus critical that Irish SMEs develop world-class sales and marketing competencies and capabilities¹⁴.

13 Small Business Failure in Ireland, Department of Enterprise, Trade and Employment, Fitzpatrick & Associates, 2001.

14 Competencies are the skills, processes and knowledge that a firm develops as a strength, while capabilities refer to the ability of firms to use these competencies effectively.

3

METHODOLOGY

In order to understand the marketing, sales and innovation capabilities of internationally trading Irish SMEs, the study initially defined what capabilities are important, and then set out to devise a means of measuring and comparing these capabilities as a basis for planning performance improvements.

3.1 INTERNATIONAL BENCHMARKING APPROACHES

Benchmarking is an established tool that uses key metrics to allow comparison of business performance on capabilities and processes. Since the early 1980s, comparing a firm's performance on metrics of strategic performance against that of other firms, particularly those who have achieved superior performance, has been recognised as a valuable exercise.

Benchmarking aims to find examples of superior performance or 'best practice' and to understand the processes and practices driving that performance. 'Best practices' are strategies and tactics employed by highly admired companies. These companies are not always 'best-in-class' in every area but their drive for excellence have made them the most admired, the most profitable, and the keenest competitors in their sectors. 'Best practice' constantly changes, and continuous benchmarking can help an organisation identify what it needs to do in order to remain competitive.

Benchmarking is now a well-established tool internationally and provides a holistic look at a company in many areas of manufacturing and general business performance. More recently the Department of Trade and Industry (DTI) in the UK established the Benchmark Index specifically for SMEs and, with over 7,000 participating companies globally, it is now the largest SME benchmarking database in the world. Several hundred Irish SMEs have participated in the Benchmark Index, through Enterprise Ireland's benchmarking service and through the Irish Benchmarking Forum, spanning both jurisdictions on the island of Ireland. The Index is a simple computer-based system that, through a series of questions, allows companies to measure their performance against others in about 80 aspects of finance, management and business excellence.

In 2002 a further module was added to the Benchmark Index to focus on marketing and product development. A questionnaire was developed for this module that covered seven main themes with 26 multi-choice questions. The main themes were:

- Strategy;
- Marketing;
- New Products (Idea Generation and Partnerships);
- Development Approach and Performance (New Product and Process Development);
- Branding and Promotion;
- Competitors and Pricing; and
- Customers.

3.2 MARKETING, SALES & INNOVATION CAPABILITY SCORECARD FOR IRISH SMEs

The marketing module of the Benchmark Index covers a wide range of themes and was designed to cover large companies as well as SMEs. This Forfás study into marketing, sales and innovation

capabilities, by contrast, is confined to SMEs only and requires an additional in-depth focus on the sales function and skills base. Consultation with a wide range of stakeholders in Ireland confirmed the need for a tailored approach to fit the needs of this study's objectives.

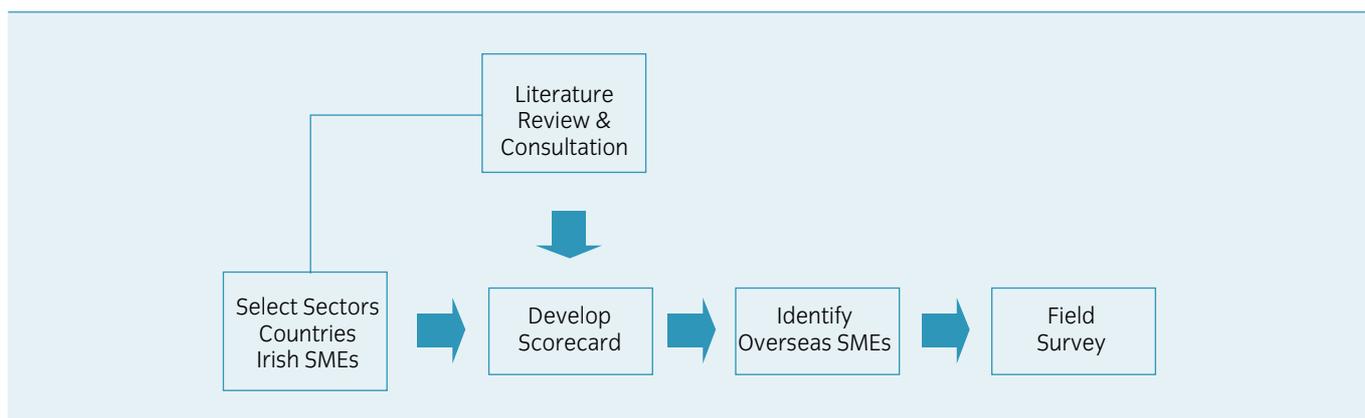
SMEs face a number of challenges in applying the benchmarking methodology:

- They do not have the same level of resources as large organisations and therefore may be less open to change and learning on best practice methods;
- They lack know-how in making continuous improvements and benchmarking;
- They are not familiar with organisation around processes;
- It is more difficult to identify best practice in SMEs than in large organisations;
- It is difficult to close the gaps identified in best practice, as the goals to be achieved are often too far beyond the reach of SMEs; and
- While it may be possible to identify some relevant best practice it is harder to understand its application to processes.

The approach used to measure marketing, sales and innovation capabilities in Irish SMEs and internationally was to simplify matters by focusing on the key processes and capabilities of relevance to them. Following a benchmarking approach, a tailored marketing, sales and innovation capability 'scorecard' was developed using key metrics relevant to the objectives of this study and the needs of Irish SMEs.

The approach used to identify the key metrics and make up of the scorecard is illustrated in Figure 3.

Figure 3: Development of Marketing, Sales & Innovation Capability Scorecard



The process illustrated above involved a number of stages as follows:

- Extensive review of literature relating to benchmarking, and productivity improvement standards such as ISO 9001-2000 and the Baldrige Awards model;
- Review of international surveys on marketing and sales capabilities as well as innovation;
- Consultation with a wide range of public and private sector agencies and organisations on the questionnaire structure and content;
- Liaison with the Steering Committee, leading to emphasis being placed on two key areas: marketing & sales skills, and innovation processes; and
- Piloting of the questionnaire with SMEs and finalisation before the roll out.

For the purposes of this study, a benchmarking style 'scorecard' (see Appendix 6) was considered most appropriate in determining key metrics for comparison. This addresses seven main capability areas:

- i. Marketing and selling strategy processes;
- ii. Skills base;

- iii. Customer focus;
- iv. Marketing Information Systems;
- v. Innovation;
- vi. Branding and Promotion; and
- vii. Use of Information and Communication Technologies.

The scorecard consists of a questionnaire that includes 32 questions including metric type questions and open-ended questions. It includes discussion questions on skills resourcing, critical success factors, barriers to and opportunities for improving sales and marketing capabilities, and the identification of best practice companies.

The benefits of this simplified scorecard approach are:

- It helps SMEs that are taking their first steps in identifying gaps in their own processes and measuring against best practice;
- It brings about an awareness of the necessity for learning, change, and improvement;
- It can be self administered without external help;
- It mirrors the benchmarking notion of continuous improvement which has proved successful for thousands of firms and allows SMEs compare with peers in Ireland and within their sector
- It allows for measurement through benchmark performance indicators or “metrics” (usually in numbers e.g. number of new products developed) and business processes (e.g. how a new product or service is developed).

3.3 THE SURVEY SAMPLE & SELECTION PROCESS

The survey sample covered a cross-section of Irish SMEs trading internationally to establish the state of marketing, sales and innovation capability generally and by sector. A second group of overseas SMEs was surveyed to allow an international comparison.

The Irish SMEs were selected to reflect a mix of sectors, company size and age, and track record in terms of sales revenue growth over the previous three years.

As one of the study objectives was to identify best practice, the companies were identified from pre-qualified sources such as Enterprise Ireland reports, lists of nominees and prize-winners for industry awards, as well as from extensive industry knowledge. Thus these firms are likely to exhibit ‘best practice’ in their sales and marketing capabilities. It was also assumed that the problems faced by these high performing companies are likely to be present, and indeed more pronounced, in the broader population of exporting SMEs. While the findings of this study are not strictly applicable to the broad population of all SMEs in Ireland, it is reasonable to assume that many of the issues identified are indicative of the situation prevailing in the non-exporting sector also.

The local Enterprise Ireland offices assisted in identifying firms for the survey sample in the Netherlands, Sweden, Denmark, Italy and Germany. UK firms were identified from lists of nominees and prize-winners for industry awards, in addition to other UK industry sources.

For reasons of confidentiality the names of individual companies surveyed are not disclosed.

Figure 4 shows the breakdown of companies surveyed by country and by sub-sector. A total of 189 firms were initially contacted to request their participation and sent scorecards for completion. The survey comprised a mix of face-to-face meetings, telephone interviews and questionnaires completed by respondents via email. 96 firms completed the scorecard, of which 93 were usable for the analysis, comprising 63 Irish and 30 overseas SMEs.

Figure 4: Companies completing survey by country and sector

	Engineering/ Electronics	Healthcare / Pharma / Diagnostics	International Traded Services/ Software	Food/ Consumer	TOTAL
Ireland	15	10	14	24	63
UK	4	3	4	4*	15
Europe	5	5	4	1	15
TOTALS	24	18	22	29	93

*All food

The 63 Irish SMEs can be grouped into four main sectors:

- Engineering and electronics (15 firms);
- Healthcare / pharmaceuticals / diagnostics (10 firms);
- Internationally traded services and software (14 firms); and
- Food (14 firms) and consumer products / services (10 firms).

An analysis of the breakdown of the Irish SMEs by turnover, employment, sector, etc. is presented in Appendix 3.

The findings from the survey are set out in Sections 4 – 6.

4

EDUCATION & TRAINING

This section assesses the supply and demand of sales and marketing skills in the context of indigenous, exporting SMEs. It begins by enumerating and quantifying all sources of such skills from within the education and training sector currently. The section then presents the skills-related findings from the survey of SMEs. These findings provide information on the skill-level of those currently engaged in sales and marketing roles in the SMEs as well as an indication of the future demand for skills.

The section then provides an analysis of the survey findings and identifies the issues which must be addressed by the education and training providers, as well as the SMEs themselves, if these firms are to achieve their full potential in the future. Finally, a set of practical recommendations for achieving this are put forward.

4.1 ANALYSIS OF SUPPLY

This section reviews the supply of marketing and sales personnel to Ireland's SME sector. The acquisition of knowledge, experience and skills in marketing and sales is examined in a number of areas, ranging from secondary to third level education to professional training to 'on the job' experience.

4.1.1 Marketing and sales introduced at secondary level

Second level students gain exposure to sales and marketing concepts from the Business Studies Leaving Certificate subject. A total of 32,036 Leaving Certificate students (47%), took Business Studies in 2001¹⁵. While this subject provides a rudimentary introduction, it does mean that a high proportion of school leavers are exposed to marketing and sales concepts and have a frame of reference from which to expand their skills if they so choose.

The Marketing Institute of Ireland (MII) has developed 'Step into Marketing', a self-directed learning programme to introduce the topic of marketing to transition year students. However, only 300-400 students participate currently because the cost could consume up to half of transition year budgets. Sponsorship is likely to be required for increased take-up.

4.1.2 Marketing and sales in third level courses

A review of the curricula of third level institutions identified a total of 134 third level courses (full-time and part-time) with a marketing and sales element. Of these, 38 have marketing and sales as a major¹⁶, element, while for 96 it is a minor element. The full details of these courses are provided in Appendix 7.

¹⁵ Department of Education Statistical Report 2002.

¹⁶ Major: marketing or sales are the main focus & in the course title; Minor: modules dedicated to marketing or sales, for at least 2 years.

Figure 5: Analysis of Third Level Sales & Marketing Courses

Qualification	Total	Marketing as Major Element	Marketing as Minor Element
Certificate	26	7	19
Diploma	29	9	20
Degree	47	10	37
Masters	32	12	20
Total	134	38	96

These courses provided an output of 7,163 graduates in 2003 as summarised below, with:

- 1,519 graduates from courses with marketing as a major element and almost half of these at degree or postgraduate level; and
- 5,644 graduates from courses with marketing as a minor element with 65% of these at degree or postgraduate level.

Figure 6: Analysis of Third Level Marketing Graduates

Qualification	Total	Marketing as Major Element	Marketing as Minor Element
Certificate	1,368	272	1,096
Diploma	1,413	509	904
Degree	3,628	504	3,124
Masters	754	234	520
Total	7,163	1,519	5,644

4.1.3 Wide range of industry training

A wide range of training and development programmes is provided in marketing and sales by organisations such as the Irish Management Institute (IMI), the Marketing Institute of Ireland (MII), the Sales Institute of Ireland (SII), Enterprise Ireland (EI), FÁS, the Irish Business and Employers Confederation (IBEC), the Small Firms Association (SFA), the Irish Software Association (ISA), the Irish Exporters Association (IEA) and InterTradelreland. A full list of industry training and development programmes of relevance to SMEs is provided in Appendix 8.

Many of these programmes are provided jointly between organisations and some have a sectoral focus. For example,

- SalesSTAR in ICT (EI / FÁS / ISA);
- Transform in Print & Packaging and Engineering (EI / IMI) and
- True Marketing in Specialty Foods (IEA / Bord Bia / EI).

The initiatives provided range from classroom training to distance learning to in-company support to graduate placement.

FÁS provide a range of sector-specific sales and marketing training sources for the retail sectors¹⁷. In addition, they participate in and co-fund over 15 programmes for the manufacturing and internationally

17 FÁS training courses include the following:
Pharmacy Sales Traineeship;
Retail Sales;
Sales and Marketing Assistant Traineeship;
Sales Rep. & Customer Care – Evenings;
Sales Representative.

traded services sectors with EI, including the highly regarded SalesSTAR programme for CEOs in the ICT sector. Other examples of FÁS sectoral programmes include a fish marketing programme in conjunction with Bord Iascaigh Mhara, a suite of seminars and programmes for the media sector in conjunction with the Irish Film Board, and software sales training in association with the Irish Software Association.

Historically MII provided marketing education at certificate, diploma and graduate level through the network of regional institutes of technology and private colleges, with a peak of almost 3,000 students in 1989/90. Many of these were seeking their first third level qualification, having gone directly from school into employment. In recent years, with a greater availability and choice of courses, a higher number of school-leavers are undertaking third-level education and the demand for part time qualifications has dropped. Today MII courses are only offered at two colleges in Dublin, and one in Cork.

The Sales Institute of Ireland has had a similar experience. Founded in 1995 to focus on sales rather than marketing, it has an average throughput of 50 students per annum between DIT and Cork IT, significantly less than planned. The fact that SII courses entail attendance at classes during business hours appears to be an inhibiting factor to attracting higher numbers of students.

SMEs being trained with the IMI are benchmarked beforehand by self-assessment of the key challenges. Feedback from these assessments indicates that the focus is now on cost reduction and competitiveness as opposed to recruiting and retaining staff, as was the prevailing situation a few years ago.

4.1.4 Upskilling employees from services sector

According to the latest national vacancy survey¹⁸, undertaken by the Economic and Social Research Institute (ESRI) for the Expert Group on Future Skills Needs (EGFSN), almost 140,000 people are engaged in sales-related employment in Ireland, highlighting the popularity of sales as a career. The vast majority of these sales jobs are in the services sectors of retail, distribution, and banking.

Some of these people would have the potential to move into more skilled marketing and sales positions with further education and training. This retraining would be in line with the concepts outlined by the Taskforce on Lifelong Learning¹⁹. FÁS currently provide a range of sector-specific training courses in sales and marketing for this group.

4.2 ANALYSIS OF DEMAND

4.2.1 Some skill gaps in food sector

A recent study²⁰ has identified a shortage of sales and marketing skills in food processing, driven by the sector's need to become market-led rather than production-led. The skills gaps identified – marketing, languages, negotiation and category management – can be addressed within existing curricula or by in-career training and consequently an increased graduate intake was not put forward as a recommendation in that report.

4.2.2 Strong demand for sales staff over next three years

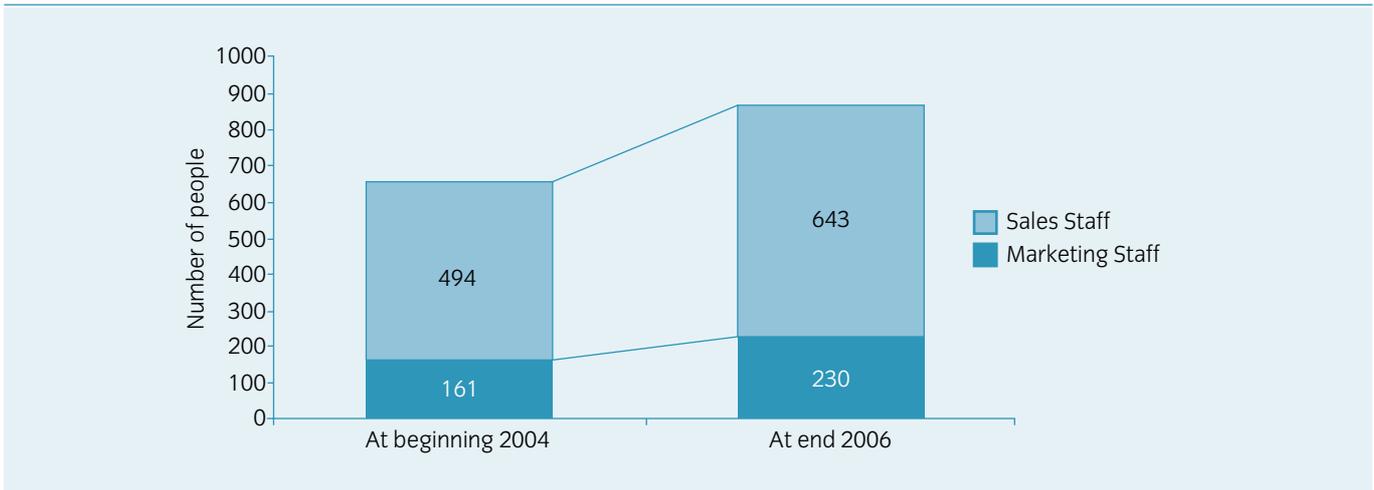
The 63 Irish SMEs surveyed project that their sales and marketing headcounts will increase by 30% and 43% respectively over the period 2004-2006, *i.e.* 149 additional sales staff and 69 additional marketing staff, as shown in Figure 7.

18 National Survey of Vacancies in the Private Non-Agricultural Sector, 2001/2002 EGFSN/FÁS/Forfás.

19 Report of the Taskforce on Lifelong Learning, Dept. Enterprise, Trade & Employment, 2002.

20 The Demand and Supply of Skills in the Food Processing Sector, Expert Group on Future Skills Needs, October 2003.

Figure 7: Anticipated increase in marketing and sales personnel 2004-2006



While it is not legitimate to directly extrapolate the increase forecast by these 63 firms to the total population of EI and Bord Bia supported firms, this finding does suggest a demand will arise for several thousand additional sales personnel over the period 2004 to 2006. However, many of these will come from within companies themselves, from the ranks of technical personnel.

This projection does not allow for any increase in demand for sales personnel in IDA Ireland supported firms that have, or are seeking, greater control over their sales and marketing by deepening their roots in Ireland to avoid relocation to a low cost country overseas. (The Irish Medical Device Association, which was consulted during the course of this study, indicated that it is looking at this issue at the request of its members).

The number of additional marketing staff required by the 63 Irish firms surveyed between 2004 and 2006 is approximately half the number of additional sales staff required. Again, while direct extrapolation to the total population of EI supported firms is not valid, it does suggest a demand for a thousand or more additional marketing personnel over that time period. Marketing staff are less likely to come from within the existing employee base of companies.

It must be borne in mind that Irish SMEs will be competing for the pool of marketing talent against larger employers such as banks, insurance firms and telecoms providers that offer potentially more attractive long-term careers.

4.3 ASSESSMENT OF GAPS

While the information available suggests that there is a significant volume of marketing and sales personnel available, feedback from the survey and other sources indicates that experienced sales personnel are difficult to find and that certain skill gaps are not being addressed in current SME training.

4.3.1 Supply and demand in balance at a national level

The most recent national vacancy survey²¹, undertaken by the ESRI for the EGFSN reported 4,800 vacancies in all Sales occupations in 2001/2002. This is down 35% from the previous 1999/2000 survey in line with the overall trend and, at 3%, is approaching the level driven by normal turnover of staff rather than excess demand. The report suggests that vacancy rates are lower in smaller firms²².

21 National Survey of Vacancies in the Private Non-Agricultural Sector, 2001/2002 EGFSN/FÁS/Forfás.

22 The level of sales vacancies is likely to have increased somewhat in 2004 due to the economic upturn.

4.3.2 Experienced sales personnel difficult to find

The companies surveyed for this study indicated that it is getting harder to find sales people with the right mix of industry background and experience, coupled with the requisite technical knowledge. The pool of candidates in Ireland is naturally small, particularly in sectors where there is little or no local industrial base. A marketing qualification is useful, but not sufficient to fill the sales skill requirements of most companies.

When considered in conjunction with the projected increase in sales personnel, this is a significant issue that needs to be addressed.

Increasingly, Irish firms are looking abroad for people who can bring immediate value through their existing industry knowledge and contacts. However, it is not always possible to attract suitable candidates, as joining an Irish SME may not fit in with their career path.

“Candidates who have the right industry knowledge and who would be ideal for us do not want to leave a large organization to join a small company in Ireland”.

MD of €10 million Irish firm

These findings are corroborated in recent reports:

- An Enterprise Ireland survey of CEOs of leading software SMEs²³ found that these firms find it difficult to attract experienced sales managers. The common approach of promoting the top salesperson does not work as these individuals tend to be natural ‘hunters’ of new business and may ignore management tasks and continue to sell aggressively;
- An NCC 2003 review²⁴ found that, while Ireland has become very good at producing relatively large numbers of well-educated technology graduates, it does not have enough people with the experience and training necessary to link technology and international markets. This was seen to be a major barrier to the progression of innovative, indigenous firms beyond the start-up stage; and
- The shortage of managers experienced in growing a new, international business was identified in a GEM study²⁵. It found this should be addressed by a variety of mechanisms, including fiscal incentives, so that experienced managers, with world-class sales and marketing experience, might be attracted to strengthen the management teams of young Irish companies and that supports should be expanded in a systematic way to include mentoring from experienced entrepreneurs.

4.3.3 Graduates perceived to lack practical business skills

The survey feedback indicated that the Irish SMEs tend to upskill in-house technical personnel with sales skills in light of the fact that their technical and industry knowledge is perceived as a key requirement in winning sales. MII is noticing increased interest in its academic courses from science graduates, which indicates a need for such skills upgrading.

Third level education and training institutions need to provide marketing and sales modules in the technical or science based disciplines to equip their graduates with the basic skills to work in industry. Increasingly, technical and science graduates interface with customers, even if not in a direct sales role, and need to know the basics of marketing and selling to contribute to the success of the vendor-buyer negotiation process.

Technology companies often tend to sell technology for its own sake, and fail to understand the customer’s business and their specific needs. Historically, customers did buy products from sales

23 Enterprise Ireland Survey of CEOs attending SalesSTAR programme, 2003.

24 The Competitiveness Challenge 2003, National Competitiveness Council.

25 Global Entrepreneurship Monitor 2002.

people, but today they are seeking long-term partnerships with suppliers that can meet their needs. They can engage in extensive negotiations with a range of non-sales staff from the supplier before coming to a decision.

4.3.4 Majority of sales staff lack formal sales qualification

The survey revealed that only 25% of sales personnel in the Irish SMEs have a formal qualification in marketing or sales. This may reflect the requirement for many of them to have a solid industry or technical background, which in turn means that they are usually recruited from science and technology ranks.

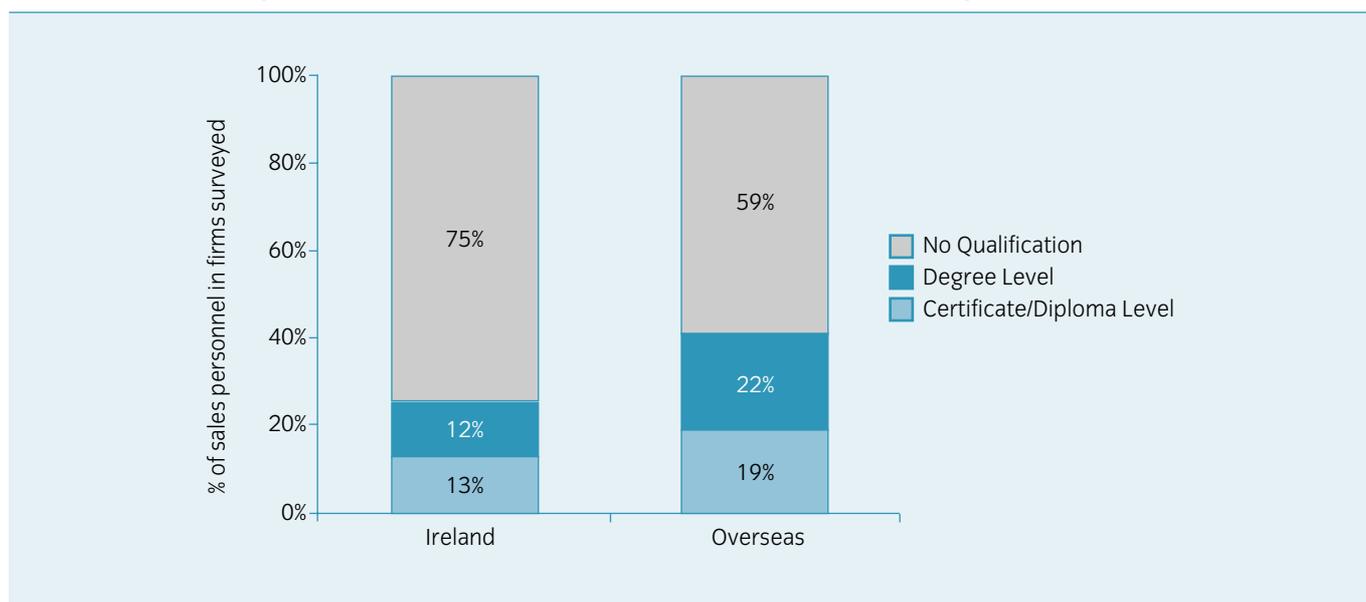
The contrast with overseas SMEs is striking where 41% of sales personnel have a formal qualification, more than one and a half times the Irish average.

For 75% of sales people in Irish SMEs not to have a formal qualification is a major skills weakness, which needs to be addressed through targeted training.

“At the end of the day, winning the sales is about winning the trust of the client that you have the capability to deliver, as the end result is not always clearly visible. This trust is built through testimonials, our previous record with the client, and above all our technical knowledge”

CEO of an Irish International Traded Services firm selling process manufacturing solutions

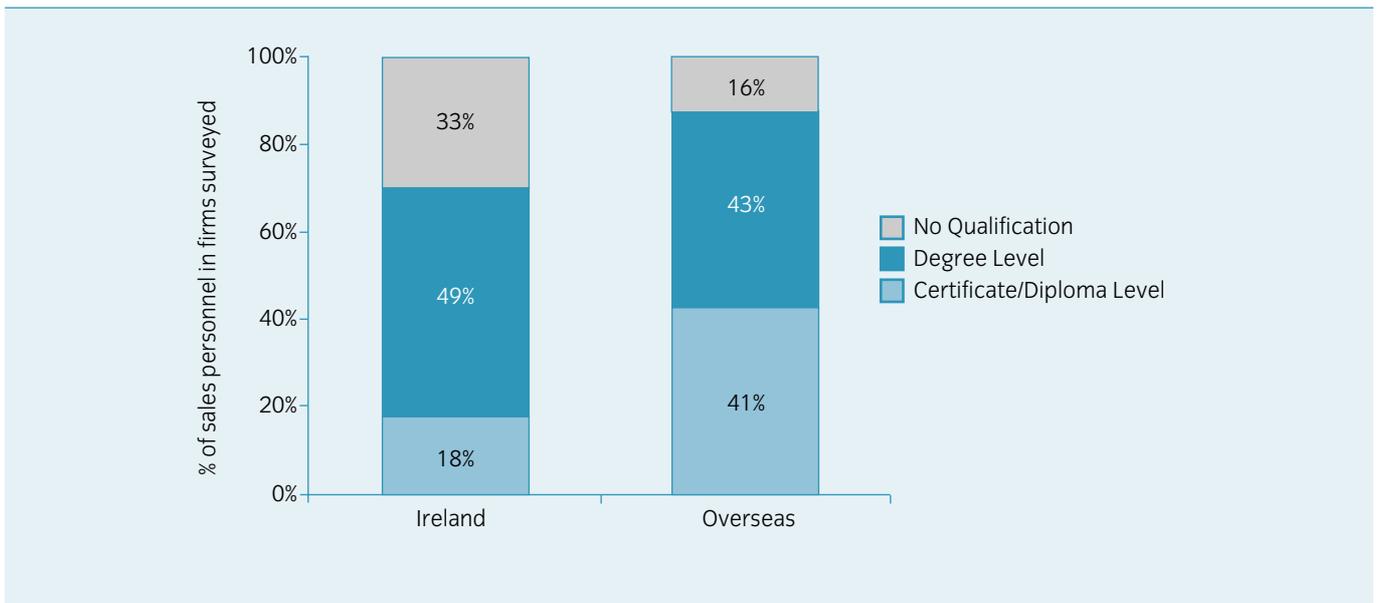
Figure 8: Q: How many sales staff have a sales or marketing qualification?



While the situation with respect to marketing staff qualifications is better, with 67% having a formal qualification, again it contrasts unfavourably with overseas companies, where 84% of marketing personnel have a formal qualification.

At graduate level Ireland is ahead with the number of marketing staff having a degree: 49% in Ireland compared to 43% in overseas firms. Only 18% have a certificate or diploma, compared to 41% overseas, leaving 33% with no qualification in the Irish firms, compared with only 16% abroad.

Figure 9: Q: How many marketing staff have a sales or marketing qualification?



Cross-sectoral analysis of marketing and sales qualifications gap

The sectoral breakdown in Figure 10 illustrates that there are significant gaps in qualification of sales staff across all sectors: 87% in healthcare, 85% in engineering/electronics, and 81% in food/consumer sectors assigned with sales responsibility have no formal third level sales qualification, even at certificate level.

Figure 10: Cross-sectoral analysis of marketing and sales staff without a third level sales or marketing qualification



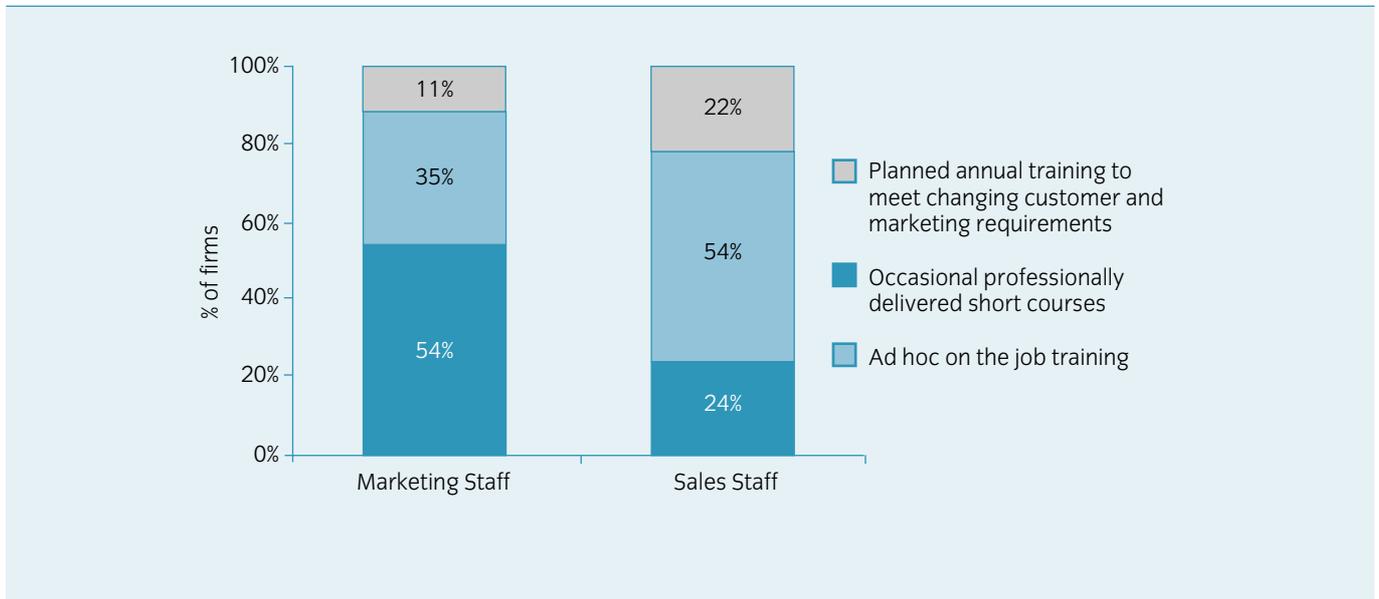
4.3.5 Limited training of sales and marketing staff

Given the high proportion of sales and marketing staff with no formal educational background in the area, it is essential that Irish firms rectify this through the provision of planned and regular training. However, most companies do not currently provide this. Training providers report that it is always a problem to get companies to send people on courses even when the companies themselves have been

consulted on the design and content of the courses. Enterprise must assume their share of the responsibility for increasing the level of training undertaken.

Figure 11 shows that only 11% of marketing staff and only 22% of sales staff receive planned annual training. This is significantly less than the overseas firms, where 27% of marketing staff and 43% of sales staff receive planned annual training.

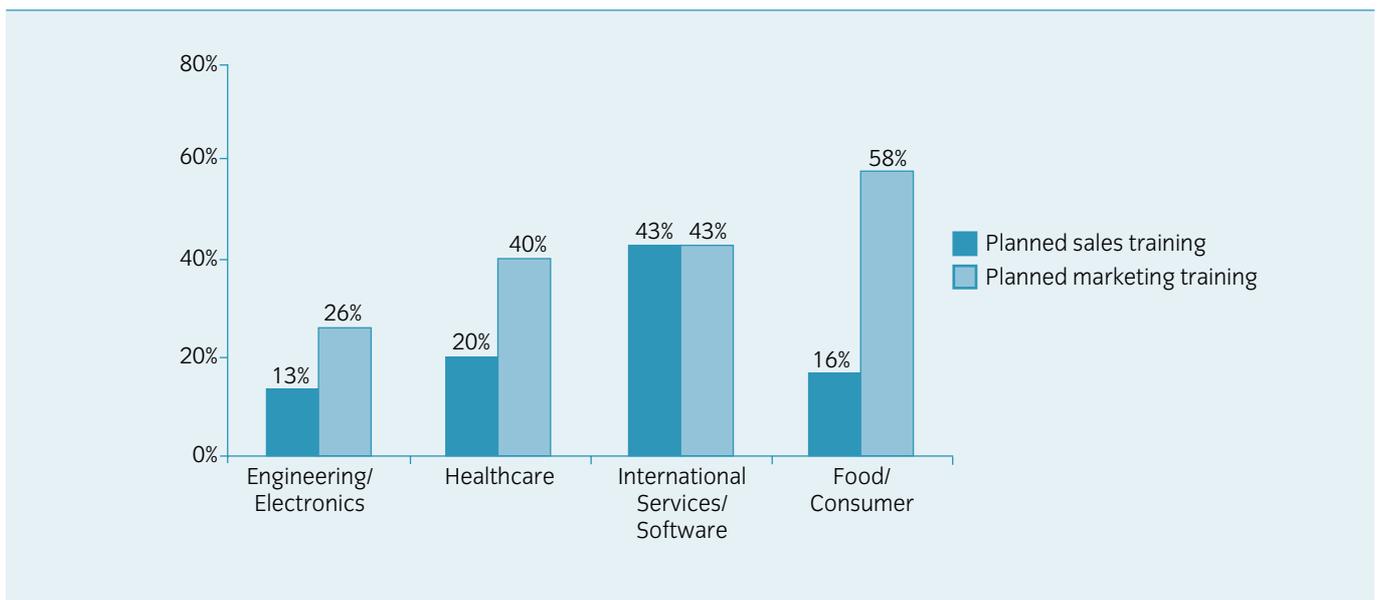
Figure 11: Extent of training provided to sales and marketing staff



Cross-sectoral analysis of planned annual training in marketing and sales

The survey findings by sector below show that overall the percentage of firms from all sectors providing planned annual training is low. The engineering and electronics sector provides the lowest amount of planned annual training in sales and marketing skills. By contrast the food and consumer sector provides the most planned sales and marketing training for its sales staff.

Figure 12: Provision of planned annual training by sector



A survey carried out by the Irish Software Association *Sales & Marketing Capability Survey* in October 2003) identifies the gaps in capabilities of Irish software firms as:

- Continual and ongoing need for professional sales education;
- Irish companies continue to struggle with sales related issues, complex sales processes, hiring the right people, and developing successful business partnerships;
- Urgent pressures for returns forcing companies to look at short term solutions;
- Fewer firms applying rigour to sales processes or strategic positioning of products; and
- Companies with formal sales processes and education programmes increasing revenues faster than average.

4.3.6 Personal selling skills gaps

The main personal selling skill gaps reported in the survey were:

- Sales management;
- Presentation skills;
- Negotiation skills; and
- Account management skills.

Sales management is addressed separately later and the other gaps are discussed below.

Presentation skills

Presentation skills were repeatedly mentioned as needing improvement. Selling today is no longer about just supplying a product at a better price than the competition. Rather it is about convincing a trade buyer to approve the selling company as a supplier, often causing an existing supplier to be displaced. Changing supplier is both expensive and potentially risky, and consequently the buyer needs to be convinced that it is the correct decision.

Presentations must fulfil a number of objectives:

- Reassure the customer that the supplier can be a reliable short, medium and long-term partner in terms of supply, NPD, cost reduction, capacity increase, etc; and
- Convince the customer of the profit opportunity.

Negotiation skills

SMEs often sell to large companies with complex and sophisticated purchasing criteria and procedures. Very often they will apply terms and conditions that are heavily biased in their favour and SMEs may not feel confident enough to seek alterations.

Account management skills

Some of the larger SMEs mentioned a need for experienced sales / marketing personnel with high level industry knowledge and networks to maintain relationships (“key account management”) with senior customer staff and non-technical buyers, in support of their own technical sales personnel. There was a feeling that, while SMEs might be good at convincing a customer’s own technical staff, the latter could be blocked when the recommendation to approve them as a supplier went up to higher levels in the customer’s organisation, where the senior management did not know the SME.

CEOs appear to be taking greater ownership of the sales processes. The ISA, EI and FÁS for example, are addressing the unique needs of software CEOs through sector-specific training. This sectoral focus in

training has worked successfully and the lessons learnt are reflected in the recommendations in Section 4.4.

4.3.7 Accessible and focused training

Many firms cannot afford the time for staff to attend traditional professional training courses. Consequently, there is a need for relevant training that is accessible by companies and which will not interfere unduly with work requirements. They need focused, practical, actionable training delivered at times and locations that suit their working pattern.

Interviews with training organisations indicate that ability to pay for training is also a big issue for SMEs. This may relate to the high cost of traditional courses and seminars. Action-oriented courses, such as those currently being developed by the Marketing and Sales Institutes, which offer the prospect of tangible benefits in the short-term, if available at a reasonable cost, could generate greater interest.

The Taskforce on Lifelong Learning²⁶ reported that the predominant delivery mode for training remains that of full time attendance during office hours and recommended that education institutions should plan to move towards flexible opening hours and put in place the necessary organisational arrangements to achieve this.

SII surveyed its members in 2003 on their preference for the format of sales training courses offered. The feedback indicated a preference for focused, short courses, capable of being delivered in the workplace within months rather than over an academic year.

MII is also moving towards development of focused, action-oriented 'learn on demand' type courses in conjunction with EI and industry.

4.3.8 Linking sectoral education and training to industry clusters

Some sectors of industry in Ireland are located within regional clusters. In recent years EI and FÁS have introduced regional and sectoral cluster-based programmes, which combine joint lecture and workshop sessions with individually-tailored, company-specific training. The third level institutions that are already linked to these clusters could expand their courses to embrace industry specific marketing and sales courses or modules.

The food industry is located mainly in the south and east of the country. The Faculty of Food Science and Technology in University College Cork offers an MSc and an MBS in Food Marketing in parallel with its technical courses and has established strong links with the local Food cluster. Both UCD and DIT have food science / engineering departments which could develop food marketing courses in conjunction with the business faculties of those colleges.

Suggested centres for introducing industry specific marketing and sales courses or modules, based on the existing industry clusters and technology focus of third level institutions are set out in Figure 13. Food, medical devices, pharmaceuticals, software, and electronics comprise such clusters. Engineering is another major SME sector requiring specific marketing and sales courses but does not have a regional focus or cluster.

Figure 13: Regional clusters and potential / actual linkages with third level institution

Sector	Regional Clusters	Third Level Institutions
Food	South / East	UCC (already offering courses) / UCD / DIT
Medical Devices	West	UCG
Pharmaceuticals	South / Dublin	UCC / DCU / TCD
Software	Dublin	UCD / DCU / TCD
Electronics	South / Mid-West	UCC / NMRC / UL

26 Report of the Taskforce on Lifelong Learning, Dept. Enterprise, Trade & Employment 2002.

4.3.9 Foreign language skills not an issue for companies

In general the survey indicated that it was not an issue of concern to companies whether international sales executives were from Ireland or from the export target market. The critical capability is that the sales executive had fluency in the language concerned where required. In many instances English is the industry language, and local language capability is not essential. Where it is, companies either used distributors or staff with appropriate language skills, cultural awareness and contacts.

A number of third level institutions offer ‘international’ graduate business courses, which include a foreign language together with a year spent studying abroad. This has resulted in a greater availability of foreign language skills.

4.4 RECOMMENDATIONS AND ACTIONS

The recommendations, and associated actions, relating to education and training are summarised in Figure 14 under three headings: *recognising SME needs in education*; *tailoring training programmes to SME needs*; and *meeting the demand for experienced sales personnel*. The key agencies/bodies with responsibility for implementing the actions are identified. The individual actions required to implement the recommendations are then discussed in more detail.

Figure 14: Recommendations and Actions relating to Education and Training

Recommendation	Actions	Implementation
Recognising SME needs in education		
1. Align third level marketing and sales curricula more closely to the needs of SMEs.	<ul style="list-style-type: none"> A. Incorporate modules that focus on the practical capabilities required by SMEs in third level marketing and sales curricula; B. Make industry placements an essential part of all business, marketing and sales degree courses; C. Improve networking between third level institutions and SMEs, e.g. by increasing and pooling the resources allocated to industry liaison; and D. Incorporate marketing and sales modules in curricula of technical disciplines in third level institutions. 	<ul style="list-style-type: none"> HEIs HEIs HEIs; Enterprise Ireland HEIs
Tailoring training programmes to SME needs		
2. Provide training in sales and marketing for personnel in SMEs with no qualification and/or insufficient sales and marketing training.	A. Develop training programmes to up-skill sales personnel from a technical background in sales and marketing competencies.	Enterprise Ireland; Training Providers
3. Make training more accessible, focused and action-oriented, and provide on a sectoral basis, where possible.	A. Expand the number of tailored, action-oriented, sector-specific training programmes, aligned to the level of experience of participants and accessible to SMEs.	Enterprise Ireland; Training Providers
Meeting the demand for experienced sales personnel		
4. Assist SMEs to source experienced sales staff.	A. Provide support in recruitment, e.g. sourcing personnel through targeting, financial support, etc, and in human resource management, e.g. defining skill gaps, job specs, remuneration packages, etc.	Enterprise Ireland

RECOMMENDATION 1:

ALIGN THIRD LEVEL MARKETING AND SALES CURRICULA MORE CLOSELY TO THE NEEDS OF SMEs

Action A: Incorporate modules that focus on the practical capabilities required by SMEs in third level marketing and sales curricula.

Sales management, and international sales management in particular, requires more prominence in business and marketing degrees. This could be achieved by making sales management a major module within courses; furthermore, the course material should develop practical skills in:

- Client problem solving;
- Sales process management;
- Value selling / solution selling;
- Making customer presentations;
- Negotiating;
- Key account management;
- Prospecting; and
- 'Soft' skills (communication skills).

Action B: Make industry placements an essential part of all business, marketing and sales degree courses

In-company placements are the norm for students in many European countries, where all students are expected to have industry experience before graduating. This practice is not widespread in Irish degree courses²⁷.

Action C: Improve networking between third level institutions and SMEs, e.g. by increasing and pooling the resources allocated to industry liaison.

Feedback on the lack of practical skills held by third level graduates highlights the importance of institutions building relationships with industry partners. The ability to achieve this is influenced by third level resource constraints: many have just one Liaison Officer and lack financial and support staff resources.

It is recommended that the role of industry liaison in third level institutions be enhanced and a programme of work adopted to encourage industry to increase the number of marketing and sales internships. This would also address the issue identified under innovation where third level linkages with industry are seen to be weak.

An NCC submission to the Enterprise Strategy Group²⁸ also recommended that resources should be pooled between the industry liaison functions of different colleges.

Action D: Incorporate marketing and sales modules in curricula of technical disciplines in third level institutions

While some courses are introducing these modules, the practice should become a more widespread option in technical courses for students who are interested in working in the commercial area.

27 An example of best practice is the Bachelor of Business Studies Degree offered by the University of Limerick, which incorporates an 8 month placement in an appropriate business environment into Year 3.

28 Competitiveness through Innovation, Submission by NCC to the Enterprise Strategy Group, Feb. 2004.

RECOMMENDATION 2:

PROVIDE TRAINING IN SALES AND MARKETING FOR PERSONNEL IN SMEs WITH NO QUALIFICATION AND/OR INSUFFICIENT SALES AND MARKETING TRAINING.

Action A: Develop training programmes to upskill sales personnel from a technical background in sales and marketing competencies

The basis for this recommendation is the crucial finding from the survey that a significant proportion of sales personnel come from a technical background and have no sales qualification and relatively little training.

RECOMMENDATION 3:

MAKE TRAINING MORE ACCESSIBLE, FOCUSED AND ACTION-ORIENTED, AND PROVIDE ON A SECTORAL BASIS, WHERE POSSIBLE.

Action A: Expand the number of tailored, action-oriented, sector-specific training programmes, aligned to the level of experience of participants and accessible to SMEs.

Companies are more likely to support programmes that are sector-specific, particularly those which are endorsed by the relevant trade association. Tailored programmes with a sectoral focus such as SalesSTAR and Transform are seen to be very relevant, time efficient and to yield immediate benefits by imparting practical skills. Training is followed up by on-site support to transfer learning into action; ideally, this should be integral to all courses. The lessons from such programmes should be applied in other areas.

Figure 15 illustrates a possible segmentation for a family of courses. The core content could be common with delivery tailored to each group and trainers selected accordingly, particularly where dealing with CEOs and senior staff.

Figure 15: Segmentation of courses by participant experience

	With previous sales/ marketing education	Without previous sales/ marketing education
CEOs	X	X
Other directors	X	X
Sales managers	X	X
Senior sale staff	X	X
Middle level sales staff	X	X
Junior sales staff	X	X
Technical staff dealing with customers		X
Technical staff who need awareness only		X

Training should be available throughout the country for technical staff needing to develop sales and marketing awareness. The MII, SII and local Institutes of Technology can play a role here. Training should take place in locations convenient to companies, e.g. medical device companies in the Western region. A focused distance-learning portal as outlined in Recommendation 5, Section 5 could also play an important role here.

RECOMMENDATION 4:

ASSIST SMEs TO SOURCE EXPERIENCED SALES STAFF

Action A: Provide support in recruitment, e.g. sourcing personnel through targeting, financial support, etc, and in human resource management, e.g. defining skill gaps, job specs, remuneration packages, etc.

Feedback from training programmes indicates that SMEs require support in recruiting and managing experienced sales personnel. The support provided could range from intensive advice to opening doors to mentoring to availability for occasional advice. EI could help firms negotiate preferential rates with search organisations and outsourced HR management specialists where needed.

5

BUILDING MARKETING AND SALES CAPABILITIES

5.1 CHARACTERISTICS OF SME MARKETING AND SALES

A review of the worldwide academic literature (see Appendix 4) pertaining to SME sales and marketing highlights the leading role played by Irish academics in this area. John Murray in TCD, Aidan O'Driscoll in DIT, Jimmy Hill and David Carson in UU, and Ann Torres in NUI Galway have all published papers in international journals, often using Irish companies in their research sample. It is notable that their findings correspond very closely with the reality stated by companies in the survey for this report.

Their research has led to a number of very interesting and positive conclusions:

- SMEs are inherently marketing oriented – though not necessarily in a formal manner.
- SMEs' priority is always sales.
- SMEs' marketing is heavily influenced by their customers.

5.2 CHARACTERISTICS OF BEST PRACTICE COMPANIES

A review of international research highlighted a number of particularly relevant studies on marketing and sales capabilities that highlight best practice of the most profitable and fastest growing firms:

Most profitable companies internationally:

The UK Benchmark Index²⁹ (see Section 3.1) highlights a number of common characteristics of the most profitable companies internationally. They invest substantially in:

- Rigorous market research and forecasting;
- Establishing a clear marketing strategy and planning;
- Using cross functional teams for research and development;
- Building alliances with complementary businesses where appropriate;
- Ensuring product/service and process development takes place simultaneously; and
- Minimising the development time for new products and services.

What is clear is that these firms are focusing on getting the basic processes right. They identify customer needs and trends through market research, build a plan to meet customer needs and align their organisation to get to the market quickly through cross-functional teams, alliances and speed of new product/service development.

²⁹ Closing the Marketing Gap, Benchmarking Index, Business Link, September 2002.

Fastest growing companies internationally:

The fastest growing companies in the marketing module of the Benchmarking Index were found to be superior to other firms in:

- Targeting only high potential sectors;
- Investing more into marketing activities;
- Aiming for high percentage of sales from new customers and segments;
- Analysing competitor performance and using sophisticated pricing policies;
- Planning strategies for marketing and new product development;
- Training their staff to understand the dynamics of the marketplace;
- Creating processes and structures to encourage and manage new ideas; and
- Regularly adjusting marketing programmes to reflect and anticipate customer needs.

Best Practice in marketing and sales capabilities in Ireland's software sector

The feedback from the 2003 Hot Origin report³⁰ highlighted that generating sales was the single biggest challenge for 35% of successful software firms interviewed. Best practice advice identified 10 key areas for sales success in the software sector:

10 marketing and sales priorities for Irish software firms

- Set the strategy – know your target market;
- Develop a strong core of reference clients;
- Develop a pipeline and do rigorous opportunity qualification;
- Get a sales religion – common methodology and processes;
- Use pilots, proof of concepts, ROI models and pricing – make it easier for buyer to buy;
- Be flexible in contract negotiations;
- “Stay on the ball” persist with real opportunities, even when selected;
- Develop partnerships with larger players;
- Make recruiting and management of sales professionals a priority; and
- Communicate, communicate, communicate – everybody must understand sales targets and performance.

Best Practice in marketing and sales capabilities in the food /consumer sector

The Institute of Grocery Distribution³¹ in Britain has produced an extensive guide and checklist for selling to retailers and to the growing food-service sector. Some of the most important points for suppliers are common sense but often overlooked:

30 Ireland's Software Cluster: Winning Sales - Lessons from the Frontline, Hot Origin 2003.

31 Local Sourcing: Opening the Door for Small Business, Institute of Grocery Distribution & Business in the Community

Key success factors for food and consumer product producers

- Know exactly who the end consumer is and where your product fits in the retailer's range;
- Know both your competition and the retailer's;
- Take responsibility for your product's success – do not leave it all to the retailer;
- Keep in close contact with the retailer personnel at buying and store level;
- Support your product to create demand;
- Handle any problems openly and urgently;
- Walk before you run in terms of expansion; and
- Ensure you perform in terms of delivery.

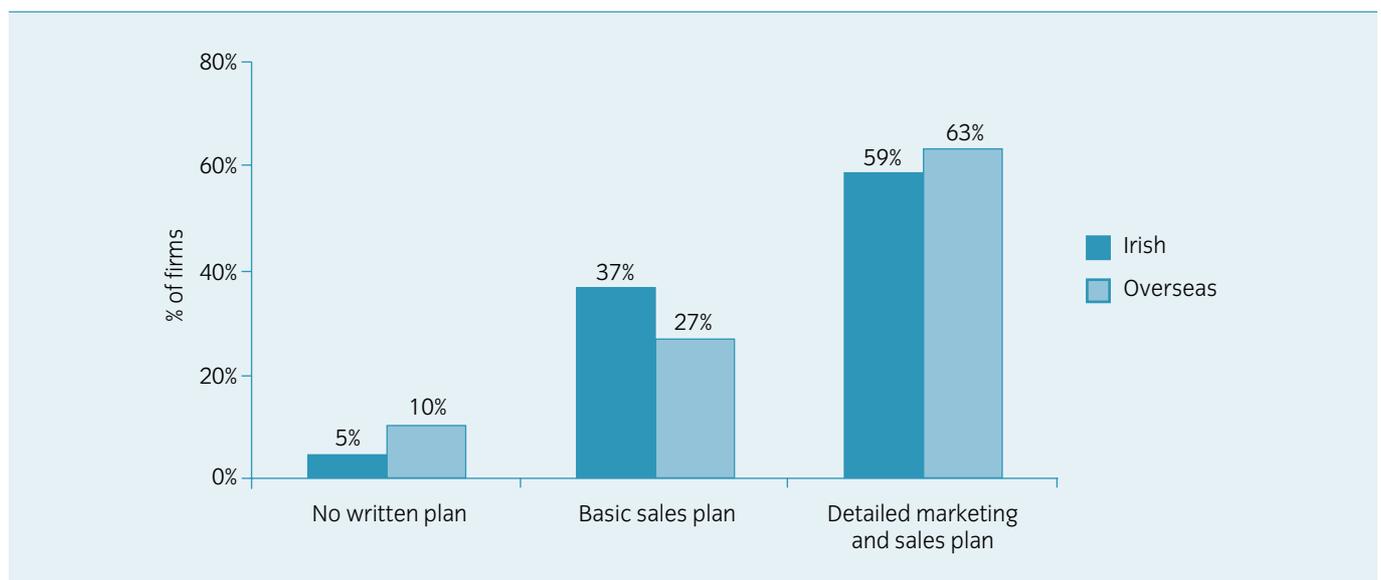
5.3 EMPHASIS ON WINNING SALES RATHER THAN PLANNING

The survey of SMEs for this study looked at the level of marketing strategy planning carried out in Ireland and compared this with the experience of SMEs internationally.

Figure 16 shows that 96% of Irish SMEs surveyed carry out some planning either in marketing or sales - 59% prepare a detailed marketing plan with clear objectives, targets, activities, and resources while a further 37% prepare a sales plan. Many respondents found that developing detailed plans took away time from either selling or dealing with customer issues. Qualitative feedback from a number of respondents indicated that they do not prepare detailed plans, as they need to respond quickly to changing market circumstances and adapt their strategy and focus accordingly.

Irish SMEs closely compare on this issue with international SMEs right across the different levels of planning, and Figure 16 indicates that the constraints on time, and resources associated with more detailed planning, coupled with the need to respond to market dynamics, are common to all SMEs.

Figure 16: Q: Does your company prepare a detailed marketing and sales strategy with clear objectives, targets, activities, and resources?

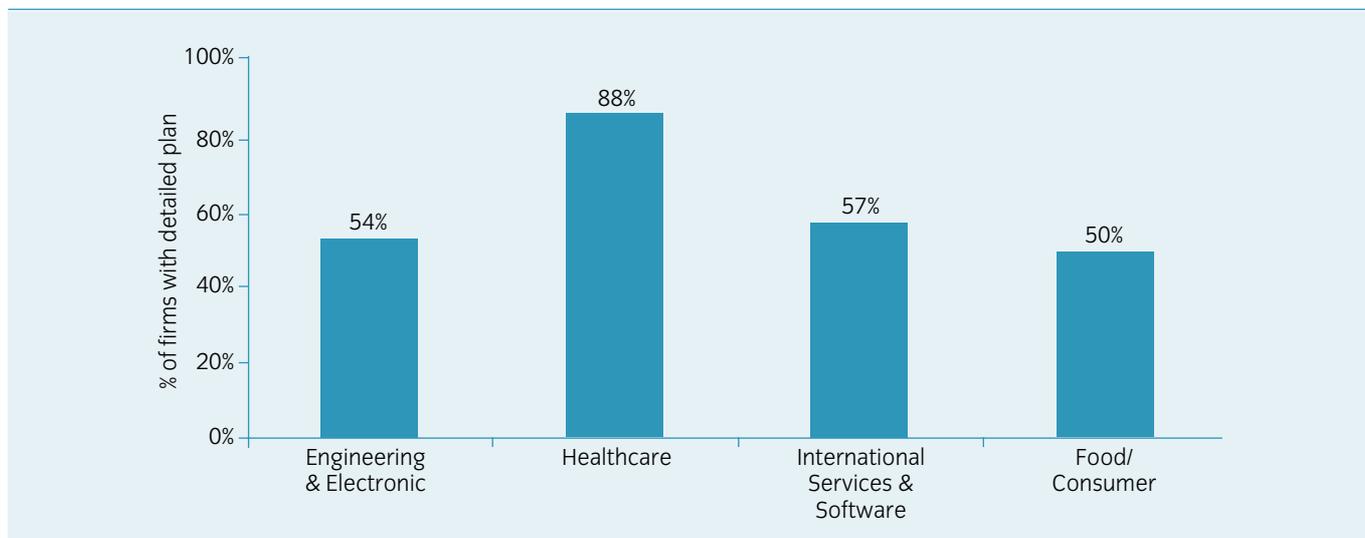


Cross-Sectoral Comparison

The analysis of Irish SME responses to the survey, regarding detailed marketing and sales planning on a cross-sectoral basis, indicates that healthcare firms are more active here, with 88% carrying out detailed planning, as highlighted in Figure 17. This reflects the need for SMEs in this sector to conform to tight industry regulations and procedures that consequently require very detailed planning in all business

processes. Over half of SMEs surveyed in the other sectors of engineering and electronics, international traded services (ITS), and food/consumer sectors carry out detailed planning, suggesting that there might be scope for improvement by comparison with best practice in healthcare.

Figure 17: Irish SMEs preparing a detailed marketing plan by sector



A growing crossover between marketing and sales in SMEs

Qualitative feedback suggests that there is a growing crossover between marketing and sales in SMEs. Historically, sales was concerned with being out in the marketplace meeting potential customers and persuading them to buy. Today the sales function encompasses the whole customer relationship from pre-sales (identifying potential customers and screening them in terms of needs, size, etc.) through to after-sales contact.

“We develop a sales plan but not a detailed marketing plan. 50% of the business being chased today is from a niche area that only appeared a year ago”

VP Sales & Marketing of a high growth Irish technology firm

“The effort today is 90% on sales and only 10% on marketing”.

MD of a €20 million company

“It is sales and not marketing in the early evolution of SME development that is the foundation for the true trajectory of growth and development. The reality is that as soon as the sales focus is lost the firm ceases to be entrepreneurial, so it is sales that should move from the reactive and functional to the strategic level”³².

The need for structured and documented marketing and sales planning

Research highlights the intuitive nature of entrepreneurs in SMEs where they have a vision of priorities and where the business is headed but planning is not always documented³³.

32 Lifecycles and crisis points in SMEs: a case approach Jimmy Hill, Clive Nancarrow, Len Tiu Marketing Intelligence & Planning Vol. 20 No. 6 [2002] 361–369

33 A multidimensional study of the key determinants of effective SME marketing activity Jimmy Hill International Journal of Entrepreneurial Behaviour & Research, Part 1: Vol. 7 No. 5, 2001, pp. 171-204. Part 2: Vol. 7 No. 6, 2001, pp. 211-235

Many firms surveyed are leaders in their niche segments suggesting that formal, documented and detailed planning is not always a prerequisite for success. Even executives with a formal marketing training may reduce their decisions to sales targets rather than spend time producing detailed plans. The MD and co-directors are often the chief sales people, albeit not full-time. While intuition and informal planning processes may lead to success in the short term, over the long term this approach may leave SMEs exposed.

The global economy of international competition and changing technologies are constant threats to Irish SMEs. Structured planning, actively encouraged and supported by Enterprise Ireland and Bord Bia, can help identify trends and competitive threats. It helps to continually develop new ways of serving existing customers, find new customers, and create new opportunities. Developing a marketing plan can help Irish SMEs keep ahead of the competition. It allows SMEs set objectives and create plans to meet them. It is also an essential tool for reviewing performance.

5.4 SALES MANAGEMENT THE KEY AREA FOR IMPROVEMENT

“We have excellent testimonials and leading solutions but our problem is how we grow the sales and internationalise”

CEO of international traded services firm selling manufacturing process solutions

This section highlights the gaps in marketing planning and sales management of exporting SMEs that must be addressed. The following subsection focuses on sales management.

5.4.1 Sales management, marketing planning and new product development

Skills needs of Irish SMEs and international comparisons

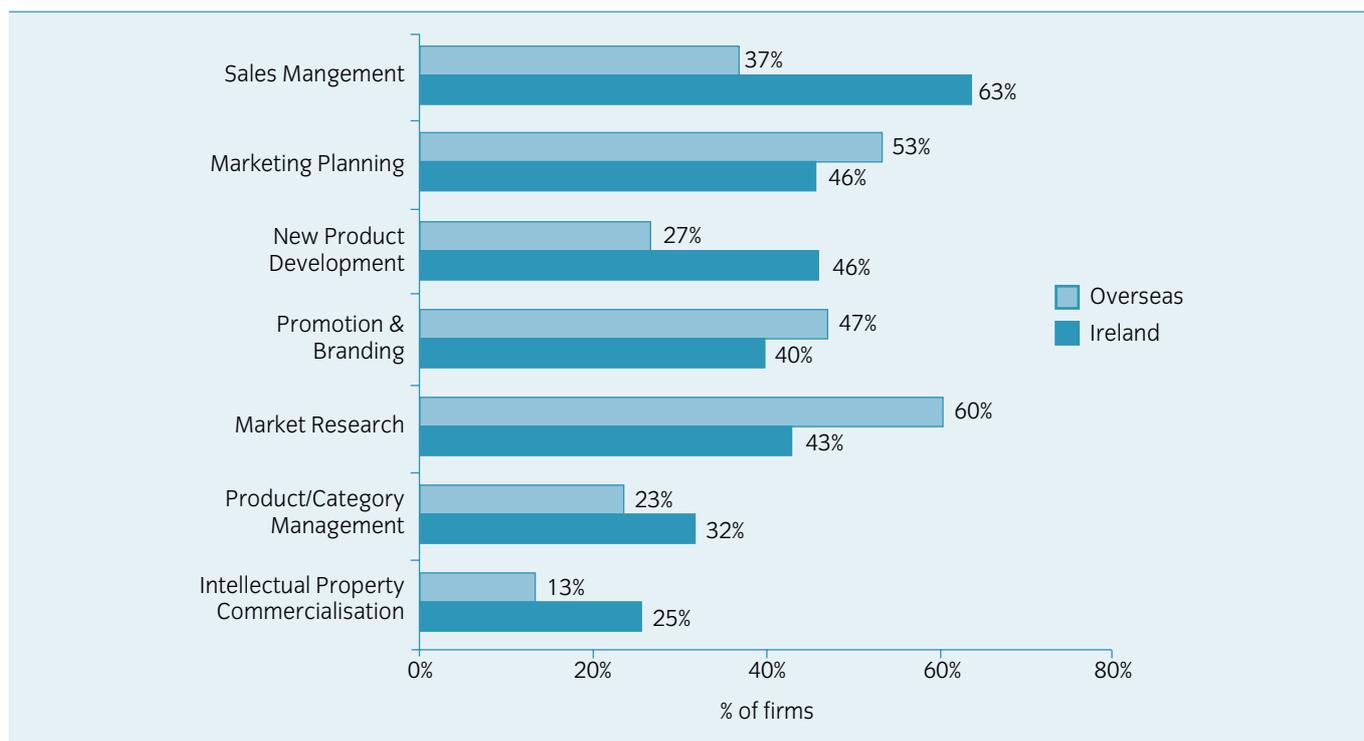
The survey addressed the skills needs of Irish SMEs and identified competitiveness gaps when compared with international SMEs:

- Sales management is the most important area for improvement with 63% of Irish companies surveyed citing it as their main area of deficiency versus 37% for overseas companies, highlighting the serious gap that Irish firms need to bridge;

Marketing planning and new product development (NPD) were the next most important areas identified for improvement, both at 46%. While 46% needed to improve their marketing planning, feedback indicated that this is something that is done “once every so often” and not on a continual basis. The gap versus overseas firms is high in NPD – it is cited by only 27% of international SMEs;

- Irish SMEs appear more confident in their market research capability than their international counterparts. However 43% of Irish SMEs confirmed that they needed to improve in this area, suggesting that there is still action required; and
- The need for support in intellectual property (IP) commercialisation is 12 percentage points higher among Irish SMEs than overseas. The low percentage identifying it as an area for improvement reflects the fact that the sample includes Internationally Traded Services, food and consumer goods where IP is not as large an issue compared to software and biotechnology.

Figure 18: Q: Where does your company need to strengthen its sales and marketing skills base?

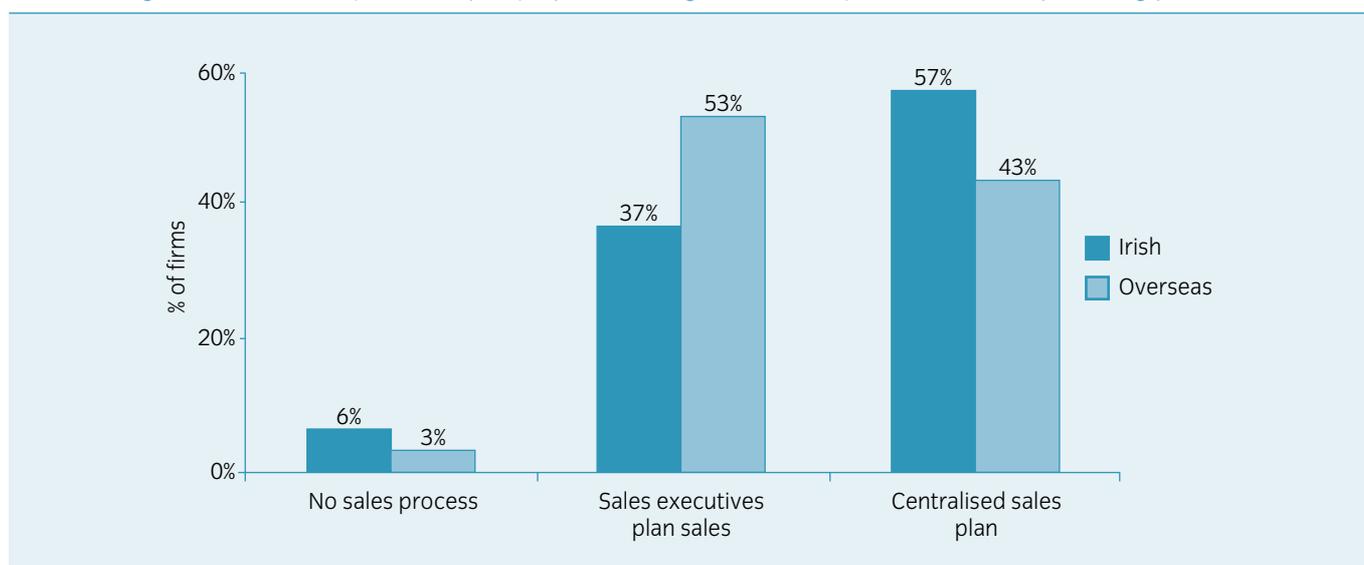


5.4.2 Irish SMEs weaker than international SMEs in sales implementation

Sales management was identified in the previous section as a performance gap in Irish SMEs. This covers the whole sales process, from planning through to implementation and control. While *sales planning* focuses on objective setting and planning of sales to customer segments, product offering, pricing etc, *sales implementation* relates to the operational side of sales. It includes processes such as prospecting by sales executives (lead generation, qualification etc), personal selling (sales force), territory management, managing the sales force, sales promotion, client follow-up etc.

The analysis in Figure 19 shows that 57% of the Irish firms surveyed undertake centralised sales planning, while 37% of SMEs allocate customers/regions to sales people to plan their own activities and make

Figure 19: Q: Does your company operate a rigorous and systematic sales planning process?



their own decisions regarding sales visits. While the Irish figures are higher than those of overseas firms, there is a significant gap in Irish SMEs capability in overall sales management skills. The fact that 63% of Irish SMEs (as highlighted in the previous section) responded that they needed support in sales management, indicates that centralised sales planning is not followed through by proactive continuous management of the sales force and the sales prospect pipeline.

It can be inferred from these results that Irish SMEs are stronger at high level sales planning, but crucially are much weaker in ongoing sales implementation and management when compared to their international counterparts.

5.4.3 Causes of weaknesses in sales management

Qualitative feedback in the survey indicates that the level of sales management varies widely by SME. Firms with a limited number of customers do not have a formal plan. Other firms are adopting a different approach where the increasing complexity of the sale requires a project management approach and key account selling. The survey feedback from CEOs attributes the weakness in sales management to two principal causes:

- the lack of expertise and training; and
- the difficulty of transition from top salesperson to sales manager.

“Our sales management process has been greatly simplified following the EI SalesSTAR programme to focus on the sales pipeline. We now invest much more time in pre-qualifying potential customers to identify those that are serious prospects and avoid wasting time on those that are really not going to deliver business in the immediate future.”

CEO of software firm, participant in EI SalesSTAR programme

As indicated earlier, the emphasis is on sales generation with less emphasis on formal structured sales management or strategy. Clearly many CEOs expressed concern about the opportunity cost of the time spent planning versus making the sale. Most firms used sales and profitability as the key barometer of sales performance.

Qualitative feedback from a number of firms surveyed indicated that they are resolving their weaknesses in sales management by having the CEO (sometimes assisted by the CFO) rigorously review the sales pipeline with the sales team. Indeed, the EI supported SalesSTAR training programme for software sector CEOs tells them that they must take lead responsibility for sales. A number of international sales training organisations refer to the ‘Chief Selling Officer’ as the lead person driving sales, and this need not necessarily be a full-time sales person³⁴.

Most of the weaknesses in sales management outlined above are not unique to Irish firms. A recent survey³⁵ of 178 companies across Europe, North America and Asia Pacific identified the main weaknesses in the sales management process as follows:

- Poor sales lead qualification and follow through;
- Sales forces not focusing on high value customers;
- Sales forces selling products instead of “solutions”;
- Sales forces “stuck in the past”;
- Inadequate co-ordination between sales and marketing;
- Poor metrics for managing sales force performance; and
- Inadequate customer databases.

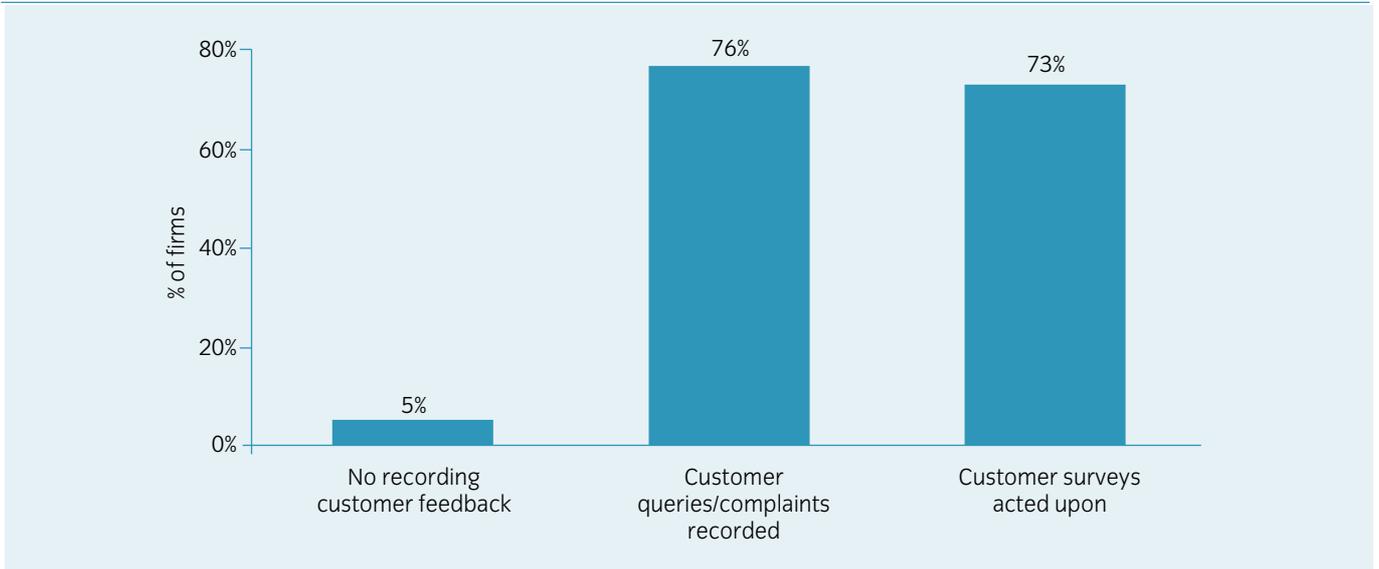
³⁴ Sales Institute of Ireland Annual Conference 2003

³⁵ Selling in turbulent times, Accenture, 2003.

5.5 NEED TO MAINTAIN CUSTOMER FOCUS

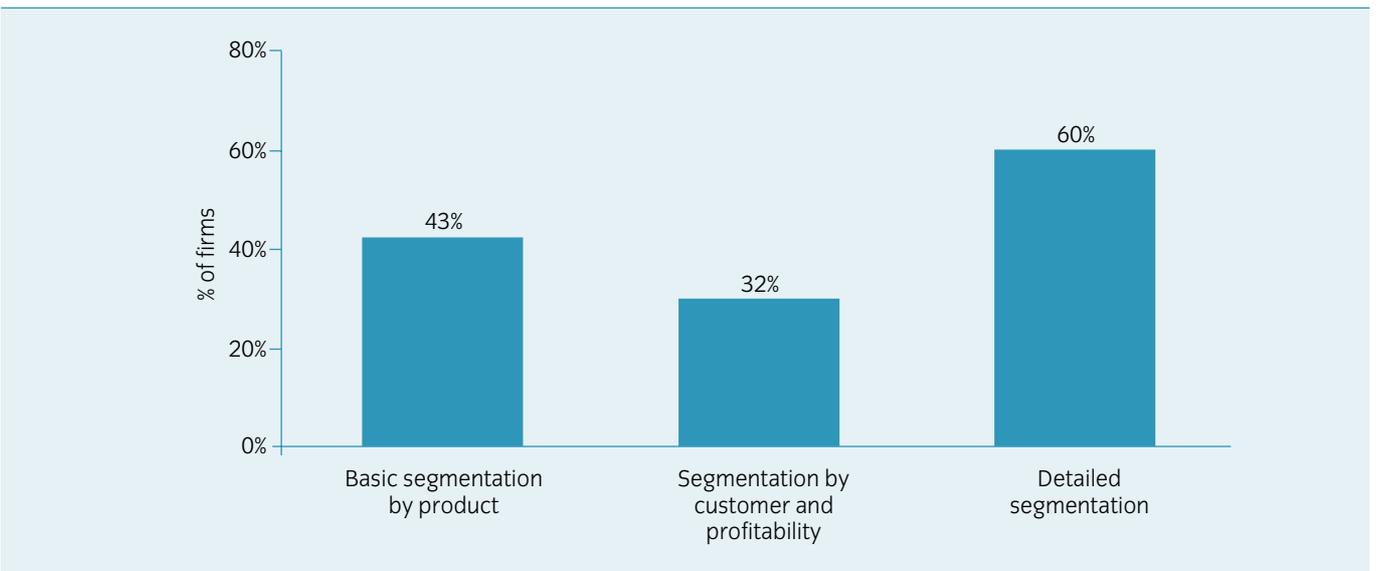
The key survey feedback is that SMEs are focused on customers and their needs. As shown below, 73% of SMEs surveyed for this study undertake periodic customer surveys and follow through with the issues arising, while 76% of firms record customer queries and complaints.

Figure 20: Irish firms' response to customer feedback



Irish SMEs are also segmenting their customer base, with 60% of firms carrying out detailed segmentation of either trade buyers or end-users or both. A further 32% carry out segmentation by customer and profitability. Segmentation allows them to tailor their service to the needs of different groups of customers and market segments.

Figure 21: Irish firms' degree of customer segmentation



The key observation is that Irish SMEs are performing well and need to continually strive to maintain this level of commitment of responding to customers' needs. Companies that are not using basic tools such as gathering customer information regularly, and analysing customer and market segments need to work towards bringing them into their business processes.

The analysis of survey results regarding international performance indicates a similar responsiveness to that of Irish SMEs in customer responsiveness.

5.6 MARKET RESEARCH CAPABILITY NEEDS TO BE STRENGTHENED

Market research is an essential part of marketing planning, and also of innovation planning for testing ideas in terms of potential demand, choice of product/service features, and developing an understanding of potential return on investment.

Market research can be carried out at different levels:

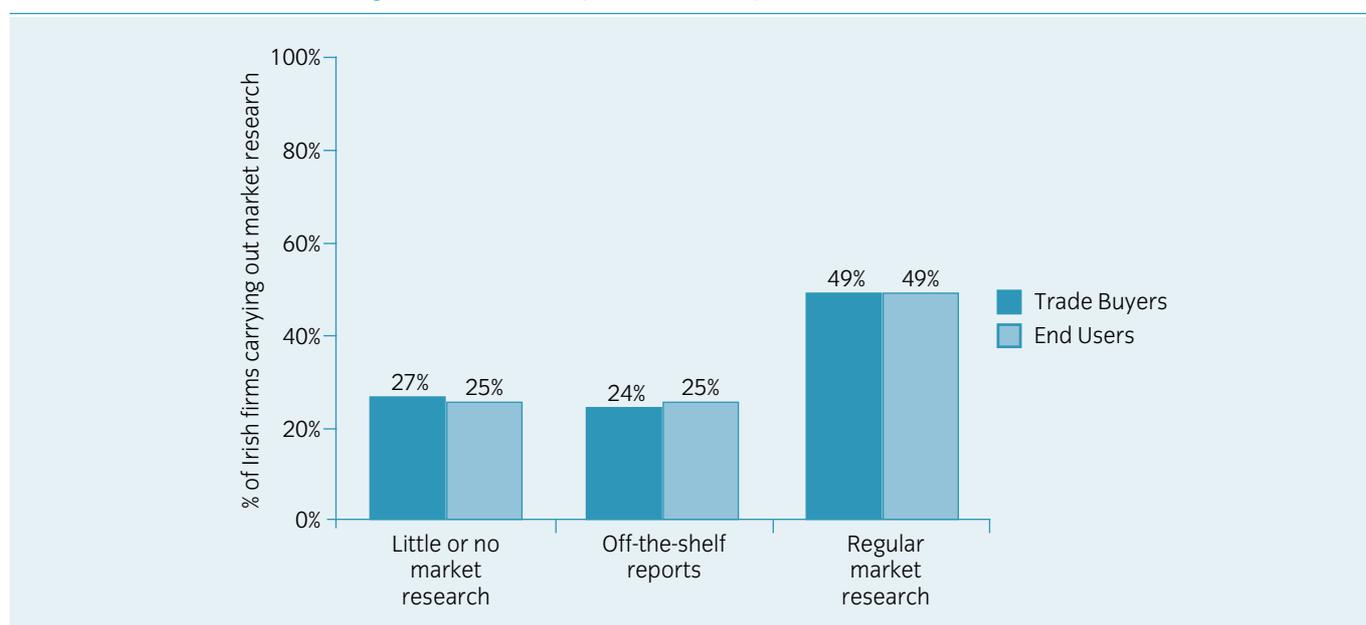
- At industry or sector level, looking at industry structure, competition, customers, technology, suppliers, etc;
- At customer level, finding out as much as possible about customer requirements and preferences, and their attitudes to different suppliers; and
- At product (including service) level, testing reaction to product ideas.

Market research needs to be carried out among the different players in the supply chain:

- Trade 'customers' such as distributors, channel partners, retailers/resellers, etc;
- End-users such as consumers, businesses etc.

The study survey asked companies about market research on trade customers and/or end users as appropriate. As the analysis in Figure 22 shows, 49% of all firms carry out market research regularly on customers, markets and competitors and integrate this information into marketing and sales planning. A further 24-25% of firms do not carry out regular detailed research but purchase off the shelf sectoral reports. A further 25-27% of those surveyed carry out little or no market research.

Figure 22: Q: Does your firm carry out market research?

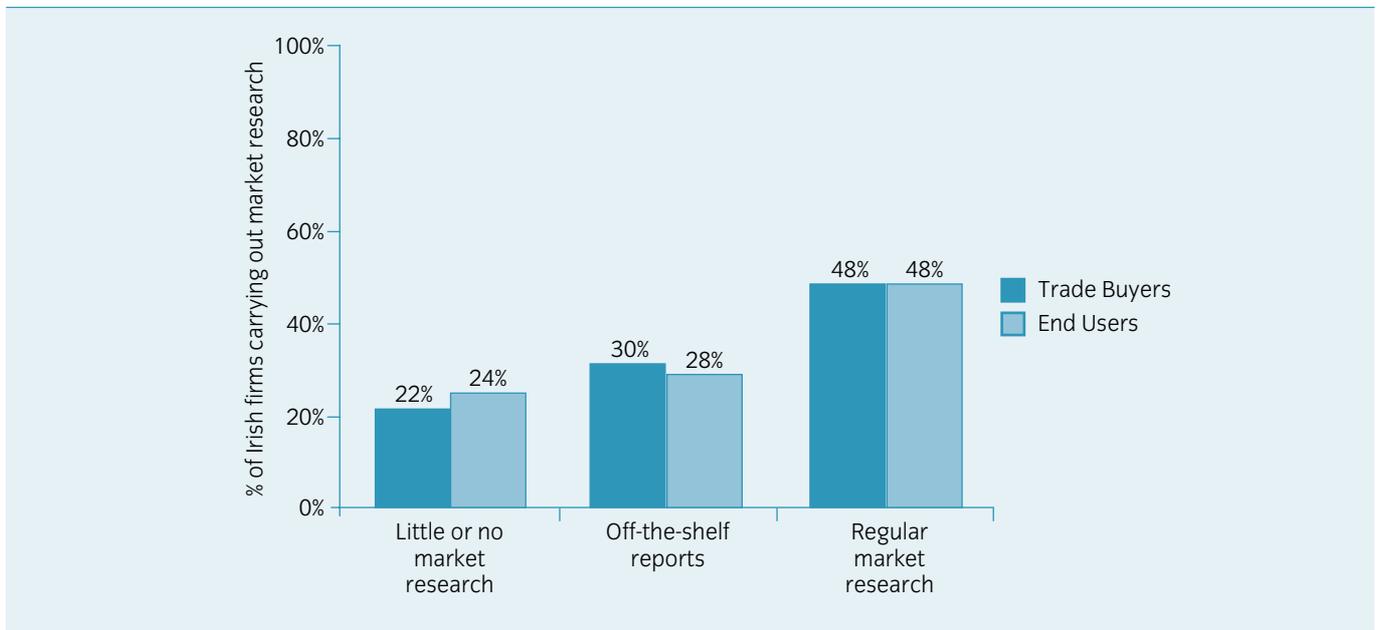


The niche focus of many SMEs means that many have less need for the complete range of marketing knowledge as required in a large multi-divisional corporation, and:

- Many stay very close to their key customers with regular feedback from them; they thus do not need to buy research from third parties;
- Some sectors are very well covered by off-the-shelf reports and subscription information services, and one quarter of firms use these.

Nevertheless a number of companies identified market research as a skill area requiring strengthening. The information, highlighted in Figure 23, shows that the figures for regular trade buyer and end-user research are similar for overseas firms at 48% versus 49% for the Irish SMEs. Overseas firms tend to buy more off the shelf reports than Irish firms (30% versus 24% for trade buyer reports, and 28% versus 25% for end-user reports). The number of Irish SMEs carrying out no market research is slightly higher than the overseas firms.

Figure 23: Market research by overseas firms surveyed



Best Practice Examples – Market Research

Several companies have sales staff located in key customers’ offices. Here they are allowed access to designated personnel throughout the customer organisation that they need to stay in touch with. This gives them much more useful intelligence than any research firm could provide.

An electronics industry supplier has a sales subsidiary in Silicon Valley primarily to be at the heart of the industry. By having a presence on the ground the company stays close to leading customers and competitors and can monitor market changes.

5.7 CORPORATE BRANDING AND PROMOTION ARE CRITICAL

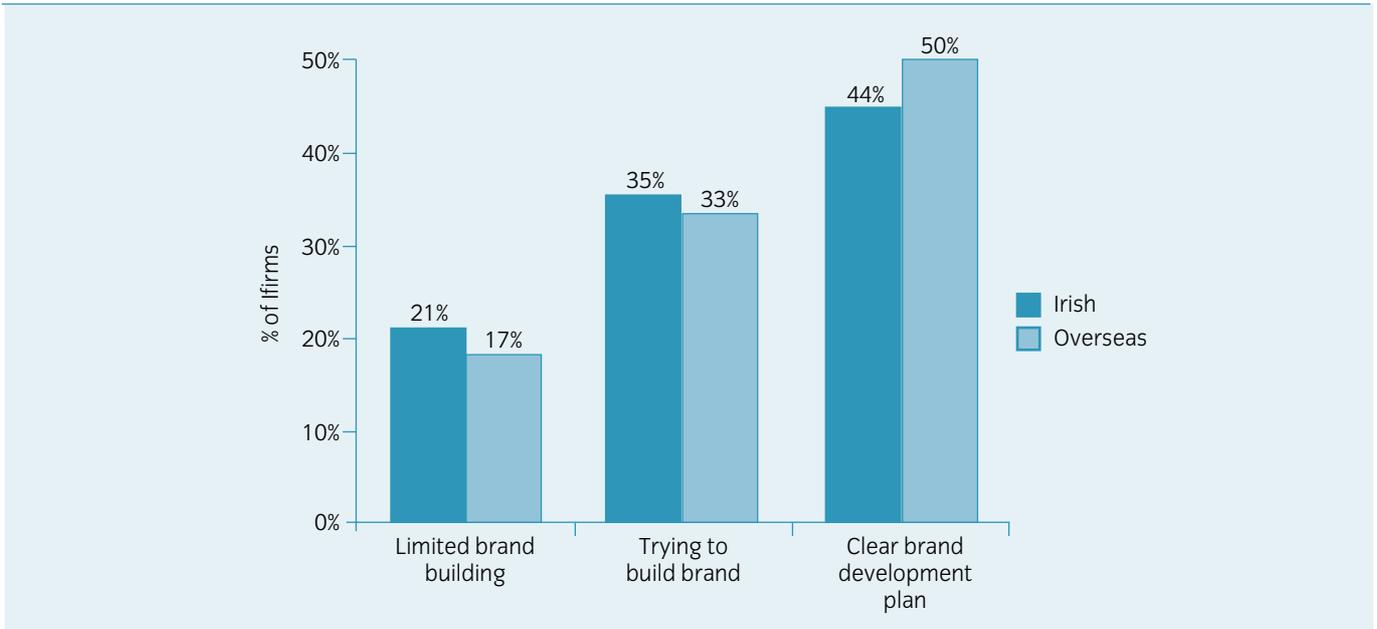
The survey asked firms if they had a clear ‘corporate brand’ development strategy. Corporate branding is about creating awareness and respect for the company name, and is different from product branding. A respected corporate name is one of the most valuable things a company can have.

Figure 24 shows that while 44% of the Irish SMEs have a clear corporate brand development plan, it is a concern that the other 56% do not, as the value of a strong corporate brand name brand cannot be overestimated.

35% of respondents said that they were trying to build a corporate brand, and are likely to require support in this area.

Overall, between having a clear corporate brand strategy and trying to build a corporate brand the totals are similar for the Irish and overseas companies surveyed.

Figure 24: Q: Does your company have an active approach to developing a strong corporate brand image?

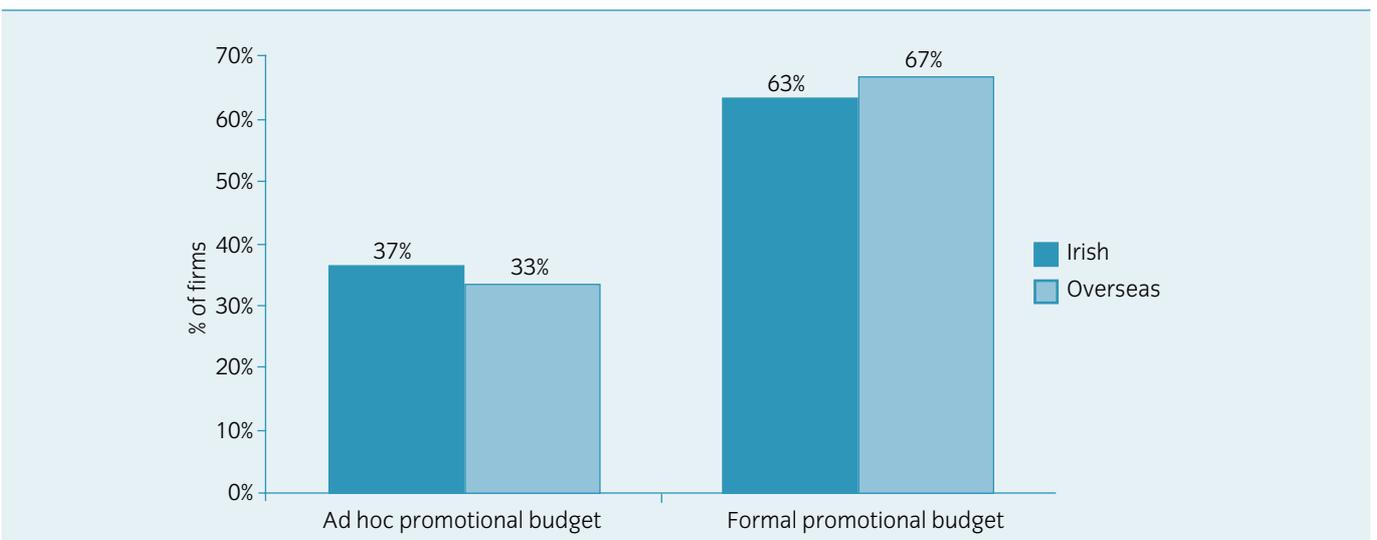


“Building the corporate name and image is of paramount importance to capturing new adopters of new technical solutions”³⁶.

Companies were also asked if they had a formal promotional budget and plan. The analysis of the survey results highlights that 63% of firms do have a formal promotional budget. Conversely, 37% do not, which ties in with the finding in 5.4.1 that 40% of companies see branding as an area for improvement. Firms are looking for “value for money” from promotions and look to invest in promotional areas where the impact can be clearly measured e.g. number of sales leads, repeat orders etc.

There is little variation between the Irish and overseas SMEs surveyed in this area.

Figure 25: Q: Does your company have a formal promotional budget and plan?



36 Discovering diversity in marketing practice John A. Murray, Aidan O’Driscoll, Ann Torres European Journal of Marketing, Vol. 36 No. 3, 2002, pp. 373-390.

Best Practice Examples – Branding & Promotion

A highly funded technology start-up needed to build immediate credibility with a target list of 50 major potential customers worldwide. The company spent heavily on advertising and PR to create awareness, and opened small offices in key regions around the world to demonstrate commitment and give customers confidence. After only 4 years the company has annual sales of €40 million.

A software provider, targeting only telecoms carriers and major corporations, spends over €1 million per year on discretionary marketing to keep its name in front of its target audiences. This is spent mainly on trade shows but also several hundreds of thousands of euros on ensuring that its name comes top of the list on Internet searches.

5.8 IMPROVED USE OF INFORMATION TECHNOLOGY

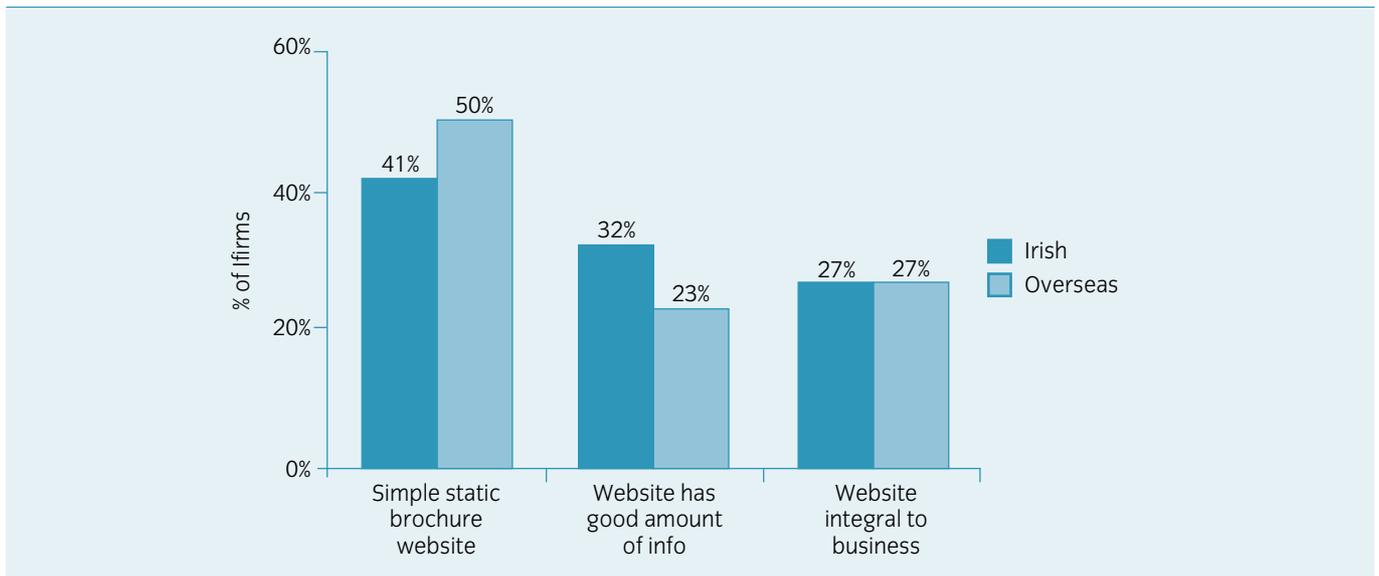
The survey looked at the use of information technology both to communicate and interact with customers and internally within the firm to improve the efficiency and effectiveness of the sales process.

5.8.1 More attention to websites

Almost 59% of companies surveyed had high quality websites (32% had a substantial quantity of quality content and a further 27% had integrated their websites with business processes). Even the simple, static brochure-type websites used were generally of a high aesthetic quality.

Half (50%) of the overseas SMEs felt that they had only simple brochure-type websites as against only 41% of the Irish firms.

Figure 26: Q: How sophisticated is your firm's website and how integral is it to your sales process?



The survey findings in relation to website development in Irish SMEs correspond closely to a similar study carried out by Enterprise Ireland in 2004³⁷.

Best Practice Examples - Websites

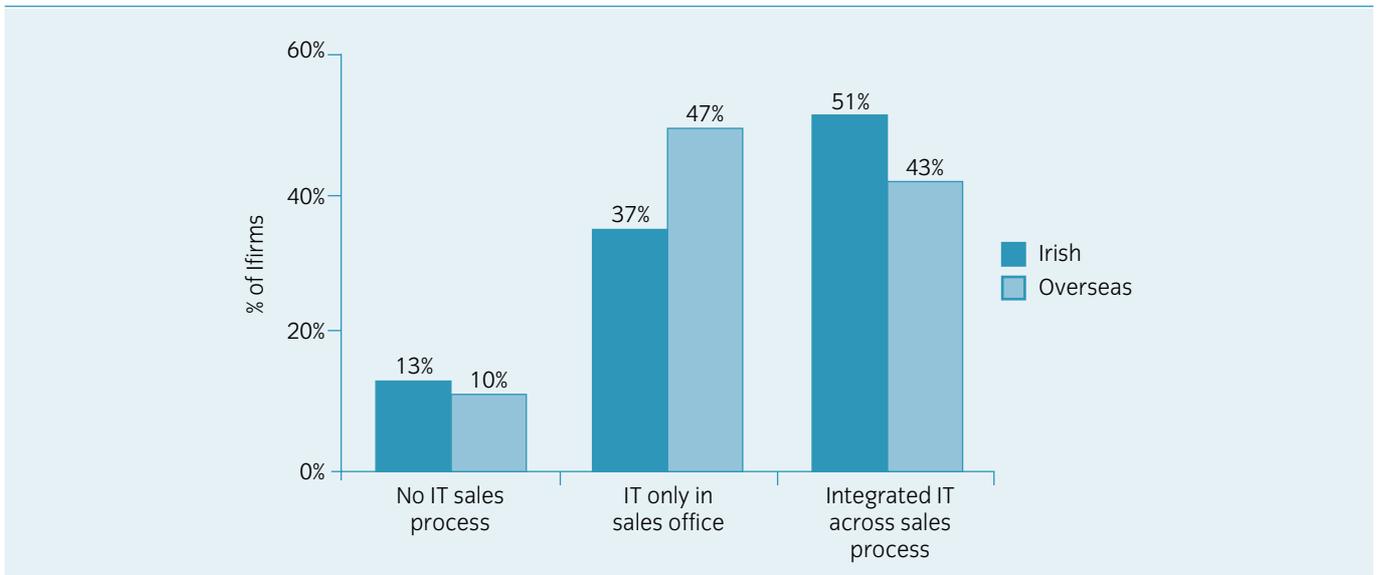
A specialist supplier of high value laboratory products sells to over 50 countries worldwide solely using the Internet.

37 IT/eBusiness status and issues of small and medium sized SMEs, Enterprise Ireland, February 2004.

5.8.2 Scope for IT Systems to improve selling efficiency

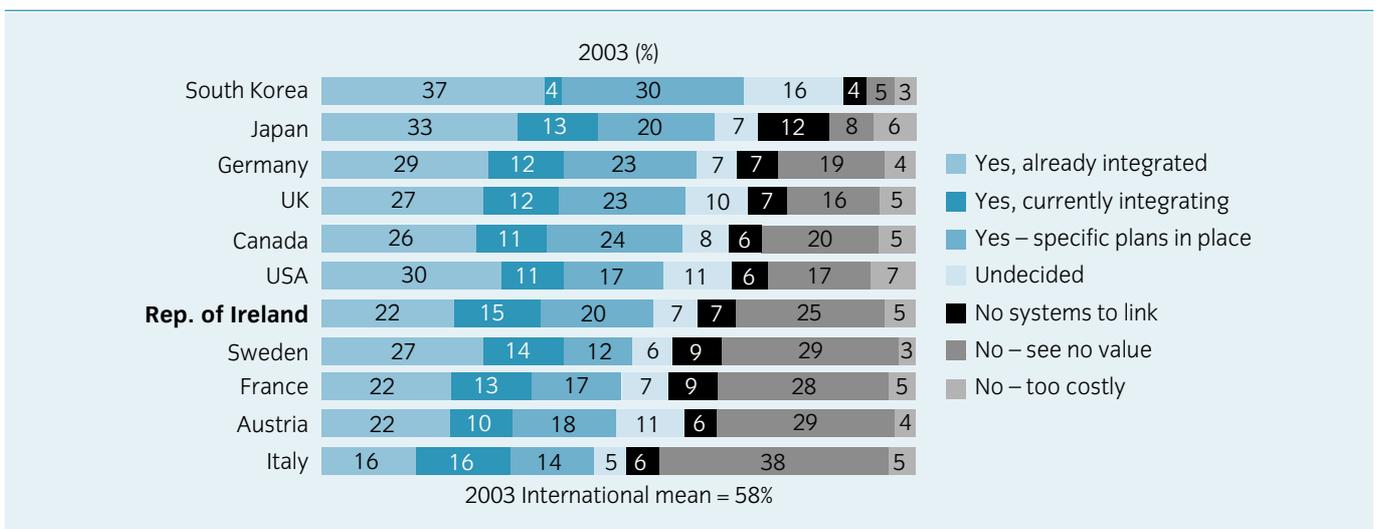
The survey asked firms about their use of information technology (IT) in the sales process. Use of IT to improve selling efficiency is low generally with only 50% of companies in either Ireland or overseas stating they have integrated systems. A range of IT solutions is employed by Irish SMEs from simple databases, to off-the-shelf software solutions to highly customised solutions. Less than half of companies surveyed have integrated systems while in some firms the IT systems are a strategic asset. IT systems provide a critical opportunity for innovation and while 50% of Irish SMEs have implemented solutions to assist the sales function, clearly there is still room for improvement in this area.

Figure 27: Q: How sophisticated is the use of information technology in your firm's sales process



Irish SMEs have been more proactive in adopting use of IT in internal business processes by comparison with their international counterparts. Figure 28 shows that Ireland ranked seventh in 2003 in a worldwide comparison of use of IT internally within companies³⁸.

Figure 28: Firms that deploy IT in internal processes

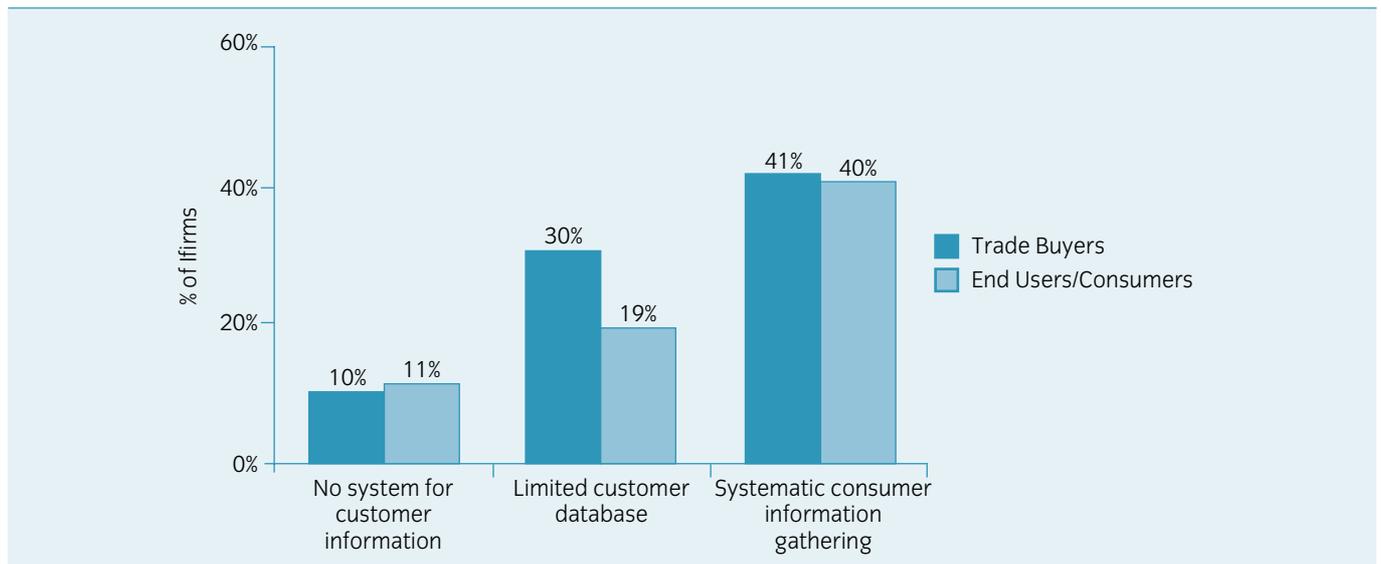


38 Business in the Information Age, International Benchmarking Study 2003, DTI, London

5.8.3 Use of customer databases

As the next figure shows, only 40-41% of Irish firms surveyed use comprehensive customer databases while 10-11% have none at all. The comparative figures for the overseas firms are similar.

Figure 29: Use of customer databases



Some firms use packaged sales tracking software such as ACT and Goldmine, others use an Internet based service from salesforce.com while some have developed their own systems including document management.

Best Practice Examples – Information Technology in Sales

A leading software firm has developed its own sales tracking and sales documentation management software which allows it to monitor the progress of each customer from engagement to close of sale and follow-up customer service. The system ensures that all relevant documentation is available instantly on screen. The benefits are a substantial reduction in labour and material costs and, more importantly close control over every stage of the sales management process, allowing all staff access information on the client sales cycle. Having full and real time information on customers has helped the firm build stronger relationships and obtain repeat orders.

5.9 RECOMMENDATIONS AND ACTIONS

The recommendations, and associated actions, relating to building marketing and sales capabilities are summarised in Figure 30. These recommendations are made to encourage best practice marketing and sales in SMEs, recognising that this will be driven by the customer needs of firms and the level of competition within the sector.

Figure 30: Recommendations and Actions relating to improving marketing and sales capabilities

Recommendation	Actions	Implementation
Developing best practice in marketing and sales capabilities		
5. Develop world-class marketing and sales competencies among SMEs.	A. Develop an awareness campaign to highlight the merits of improved marketing and sales capabilities; B. Develop a portal to facilitate sharing of best practice in marketing and sales; C. Provide a marketing and sales capabilities benchmarking service e.g. using a marketing and sales capability scorecard as developed in this study for Irish SME needs; and D. Develop placements of SME personnel within MNCs to learn best practice.	Enterprise Ireland; Bord Bia
6. Improve sales management in SMEs.	A. Provide sector-specific sales management training and support in sourcing experienced sales managers; and B. Provide advice on IT solutions for sales management.	Enterprise Ireland; Training Providers

RECOMMENDATION 5: DEVELOP WORLD-CLASS MARKETING AND SALES COMPETENCIES AMONG SMEs

Action A: Develop an awareness campaign to highlight the merits of improved marketing and sales capabilities

This can be achieved through regional seminars conducted with industry associations with inputs from CEOs of leading SMEs within the sector. These would be supported by media releases and the marketing and sales best practice portal discussed in the next action to encourage best practice.

Action B: Develop a portal to facilitate sharing of best practice in marketing and sales

This would be a critical resource to promote best practice in marketing and sales, using on-going learning tools, diagnostics, techniques, etc. It would promote best practice to busy executives who state they do not have time to attend even short courses.

The portal would also be a conduit to permit firms to network and learn from each other, to make comparison with peer SMEs or to learn through case studies. Links could be provided to existing industry portals that provide case studies on SME training and business development, e.g. Sunday Times network portal for SMEs, SFA, Skillnets, Tradenet, InterTradelreland, etc.

The portal developed recently by EI and FÁS to assist CEOs attending the SalesSTAR programme (www.SalesSTAR.org), is a model for such a portal. It provides tools, templates and a range of training material. This could be adapted to cover other sectors, i.e. sector-specific marketing and sales tools and diagnostics, marketing and sales information, etc. FÁS operates its web-based Net College which includes sales and marketing modules for distance learning.

Action C: Provide a marketing and sales capabilities benchmarking service e.g. using the marketing and sales capability scorecard developed in this study for Irish SME needs

While a number of approaches are available to measure performance, the marketing and sales capability scorecard developed for this study takes account of the specific needs and context of Irish SMEs and would appear to be an appropriate basis for ongoing benchmarking.

Action D: *Develop placements of SME personnel within MNCs to learn best practice*

SMEs are required to deal with increasingly sophisticated customers. They could benefit greatly by placing key personnel within MNCs or other large organisations recognised as having best practice processes. An example would be to place SME sales personnel in the Purchasing Department of an SME.

**RECOMMENDATION 6:
IMPROVE SALES MANAGEMENT IN SMEs**

Action A: *Provide sector-specific training in sales management and support in sourcing experienced sales managers*

Sales management has been identified in the survey for this study as the primary marketing and sales area where there is an urgent need for upskilling. Recommendations set out in Section 4 on Education and Training largely address this issue.

Action B: *Provide advice on IT solutions for sales management*

A number of best practice SMEs surveyed had implemented tailored sales management systems covering each stage of the marketing and sales process, with timely customer information fed into marketing budgets and sales planning.

Others did not know how to implement such systems or where to source them, and require support to identify the most appropriate systems to fit their needs in this area.

The EI eBusiness (eBIT) programme would appear an appropriate model of advice here. IT consultants were used to evaluate the ebusiness needs of companies and make recommendations on ebusiness development and solutions.

6

INNOVATION IN SMEs

6.1 PERSPECTIVES ON INNOVATION

This section defines innovation according to the latest thinking. It looks at international research that examines types of innovation and the characteristics of the most innovative firms that perform best.

6.1.1 Defining innovation

Modern views of innovation have moved away from the more traditional and restrictive view of innovation meaning product or technology development. Today business innovation can be defined in its broadest sense to include the development of new products and services, new ways of working, new commercial arrangements with the marketplace, and ways of getting the best out of people.

Recent international research on innovation

In a recent study³⁹ Accenture define 'innovation' simply as the commercial exploitation of new ideas. This broad definition of innovation has allowed them to identify trends and patterns of behaviour that give companies a greater chance of innovating successfully – even though the types of innovation they are pursuing can differ greatly.

Innovation is important, first, for survival: without regular innovation companies become outdated or are overtaken by market events. Secondly, innovation can be a major driver of growth and profitability. However, innovation can be a threat as well as an opportunity.

The British Government, through the Department of Trade and Industry, has recently published the findings of a major research study into innovation in Britain, and has launched its new policies for the future⁴⁰. Innovation in the DTI report is defined as the successful exploitation of new ideas. Ideas may be entirely new to the market or involve the application of existing ideas that are new to the innovating organisation or often a combination of both. Innovation involves the creation of new designs, concepts and ways of doing things, their commercial exploitation, and subsequent diffusion through the rest of the economy and society. It is this last – diffusion – phase from which the bulk of the economic benefits flow. Most innovations are incremental – a succession of individually modest improvements to products or services over their life cycle. But a few will be dramatic, creating entirely new industries or markets. Innovation involves experimentation.

6.1.2 Innovation across six business areas

The more recent literature, examining today's business environment, indicates that there are six main areas where business innovation can take place⁴¹. These are illustrated in Figure 31.

39 The Innovators Advantage, Accenture, 2003.

40 Competing in the global economy: the innovation challenge, DTI, London, December 2003

41 "Good ideas are not enough", Accenture, 2002

Figure 31: Examples of the different types of innovation

Innovation focus	Examples
New technologies	Digital cameras
New products and services	Camera phones and services
New customer experiences	Argos catalogue/warehouse stores
New processes	Dell's build to order computer business
New channels	Airlines selling over the Internet instead of through travel agents
New business models	Subscription based software accessed over the Internet instead of buying packaged software

Figure 31 highlights the importance of discovering and implementing 'new' ways of doing business. Any of the six areas can bring value to SMEs by either creating new revenue opportunities or reducing costs. In many cases, the nature of competition can change and create entirely new markets. A recent and widely quoted local example of a 'new' way of doing business is the Ryanair business model of dramatically cutting costs across all business processes, and switching sales channels from agents to internet bookings, which heralded the new era of low cost airlines.

6.1.3 Industry context impacts innovation

A review of international academic literature pertaining to SME innovation and in particular the work of Kim and Mauborgne, Christensen, and Chesbrough and Teece (see Appendix 4), highlights a number of interesting findings for SMEs on innovation development:

- SMEs need to identify how their innovation will deliver value to the customer. It means behaving like a new entrant to the market in a way that looks beyond the traditional view of the market and not being constrained by existing technology;
- Truly 'breakthrough' technology can completely change an industry; however, the risks are greater and the time to market is longer than incremental innovation;
- SMEs can operate autonomously or in collaboration with external suppliers and the industry structure will determine the approach required. SMEs need to understand their dependency on external partners and the need to manage these relationships carefully.

6.1.4 Characteristics of innovative companies

580 senior executives in 18 countries participated in a survey⁴² carried out by Accenture, in 2003, and 55 percent exhibited attitudes and actions that marked their companies out as being more innovative than the rest.

The Accenture research shows that the most innovative companies are inclusive, flexible, structured, and inspired by leadership. This perspective on innovation characteristics is more focused on internal processes than the UK perspective outlined below:

42 The Innovators Advantage, Accenture, 2003.

Inclusive

- look for new ideas equally from any source within the business (less innovative companies rely overwhelmingly on their corporate strategists).

Flexible

- give a higher priority to building flexibility in their processes and in their workforce;
- use alliances and partnerships, to help them adapt to changing market conditions;
- seek out successful collaboration through use of different specialist skills to produce an output of mutual benefit, whether with internal or external partners.

Structured

- implement formal processes to encourage and test innovation:
 - more than two-thirds of innovative companies have specific initiatives in place to capture creative concepts and promote innovation, compared with only just over half of the less innovative companies;
 - encourage a whole culture of innovation, so that new ideas are constantly surfacing and being tested, while older ideas are kept alive to be adapted to new circumstances.

Inspired by Strategic leadership

- senior executives take responsibility for sponsoring the ideas with the greatest range of business benefits:
 - create and communicate a strategic vision, and encourage the generation and application of ideas that support that vision;
 - appoint champions for strategic, longer-term innovations to ensure leadership at every appropriate level, as well as engagement and co-ordination across the organisation.

The DTI in their recent UK innovation study⁴³ identified five characteristics of innovation-led companies, the majority of which are externally focused in contrast with the Accenture research highlighted above:

- a world wide focus, often requiring early expansion overseas;
- a balanced growth strategy, based on organic growth and targeted acquisitions to enter new markets or acquire critical expertise;
- a balanced investment strategy;
- above average investment in market led research and development (R&D); a focus on what really matters to the customer; and
- an innovation culture with corporate leadership that expects growth through development of new products and services.

43 Competing in the global economy: the innovation challenge, DTI, London, December 2003

6.1.5 Critical success factors for innovation

It is not enough for SMEs to strive to develop innovation. The environment in which SMEs operate needs to be conducive to fostering innovation. The DTI innovation study identified seven critical success factors that need to be in place for the promotion and development of innovation in firms.

They are:

- sources of new technological knowledge;
- capacity to absorb and exploit new knowledge;
- access to finance;
- competition and entrepreneurship;
- customers and suppliers;
- the regulatory environment; and
- networks and collaboration.

6.2 IRELAND LAGS EU BUT MAKING PROGRESS IN SOME AREAS

Overall EU performance in business innovation remains fragile. While 51% of manufacturing firms claim to be innovative, only 7% of sales come from products new to the market⁴⁴.

Ireland lags other European countries in terms of overall business innovation. In 2003, Irish companies reported only 19.1% of sales came from new or renewed products or services in the previous two years, compared to an EU average of 22%⁴⁵.

Ireland is below the EU average for business expenditure on R&D as a proportion of GDP (0.87% versus 1.3%)⁴⁶, as a percentage of sales (3.3% versus 3.7%).

Despite this Ireland out-performs the EU average in terms of:

- SMEs innovating in-house (62% versus 44%);
- SMEs involved in innovation co-operation (23% versus 11%); and
- Sales from new to the market products within total sales (8.4% versus 6.5%).

These last very positive indicators are borne out by the survey of Irish SMEs carried out for this report.

6.3 INNOVATION SEEN AS A PRIORITY BY SMEs

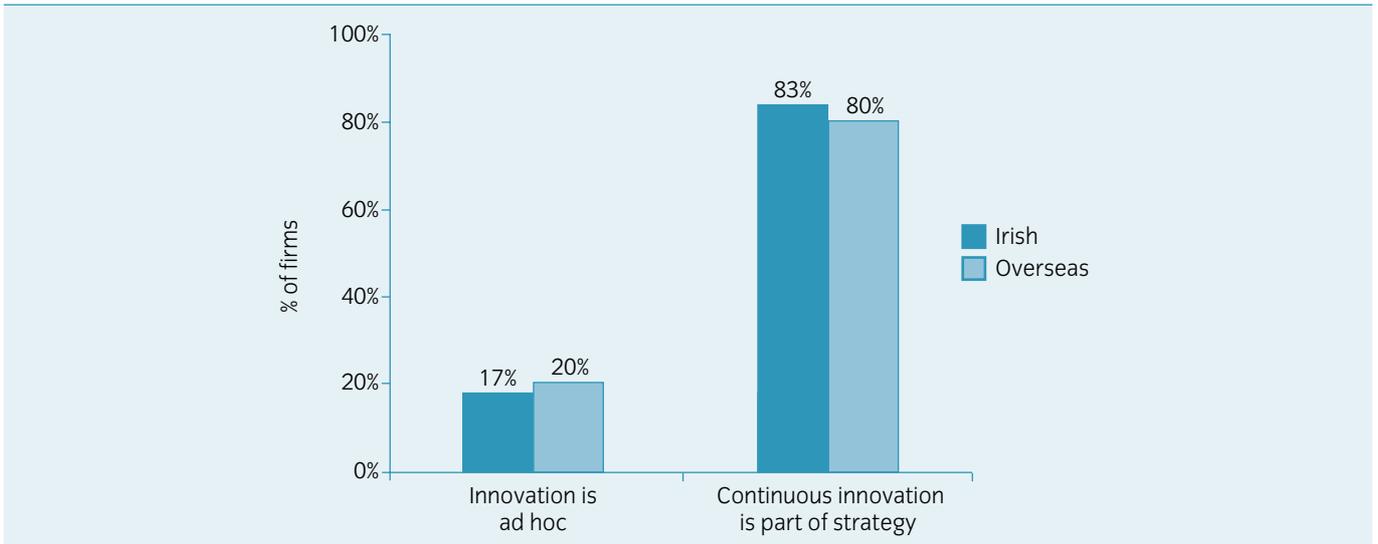
Figure 32 shows that 83% of Irish SMEs surveyed in this study saw continuous innovation as an integral part of their strategy. The percentage is only slightly lower for overseas SMEs. In the qualitative feedback, most firms in the survey also cited innovation as one of the three most important critical success factors in the growth of their business.

44 Innovation in a knowledge driven economy, European Commission, 2000

45 Innobarometer 2002, EU

46 European Innovation Scoreboard, 2003 (CIS, European Commission)

Figure 32: Importance of innovation to Irish companies' strategy



6.4 IMPACT OF INNOVATION ON BUSINESS GENERATION

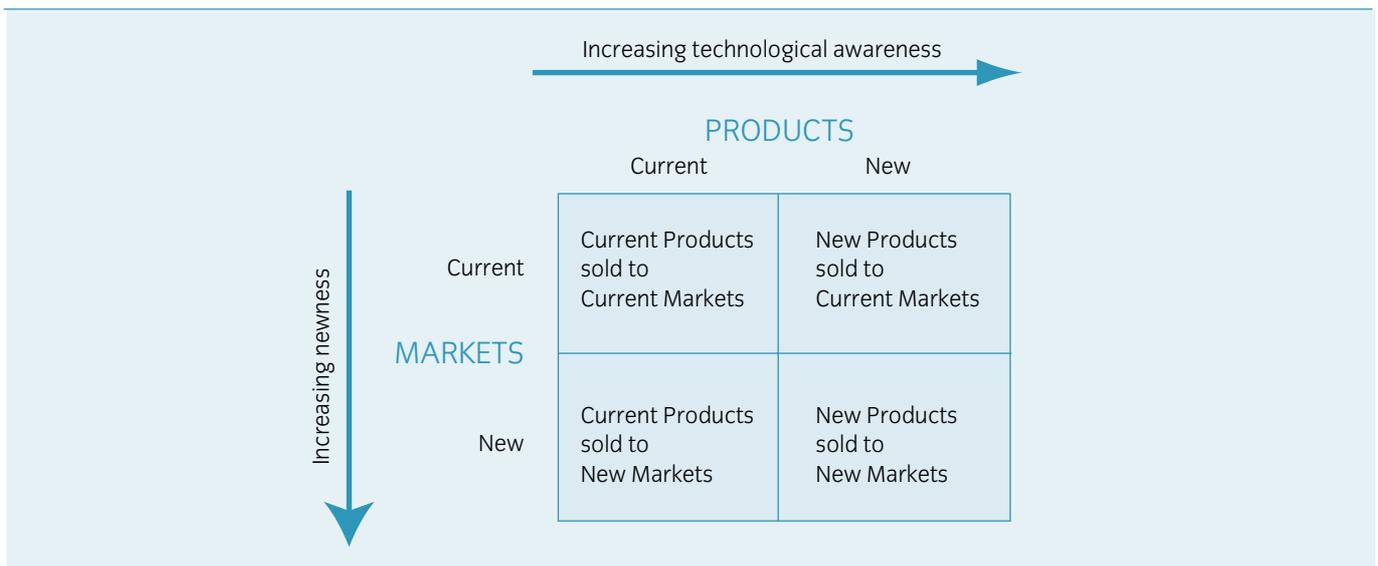
The survey examined ways in which Irish SMEs obtained its new business and compared this internationally. This is an important factor in assessing Irish SMEs degree of innovation in terms of developing new products/services and new markets (e.g. new geographical markets, new customer segments, and new customers).

Ansoff proposed a popular framework⁴⁷, used by strategists for identifying such business growth opportunities, that can be applied to understanding the options open to Irish SMEs. Typically firms can expand sales in four ways within their existing organizational structure (i.e. excluding business expansion through acquisitions and joint ventures):

- *Market Penetration*: expand current/existing product sales to existing markets/customers;
- *Product Development*: sell new products into existing markets/customers;
- *Market Development*: sell current/existing products into new markets/customers; and
- *Diversification*: diversify into new products and new markets/customers.

Figure 33 illustrates these options:

Figure 33: Ansoff's product-market expansion grid (adapted)



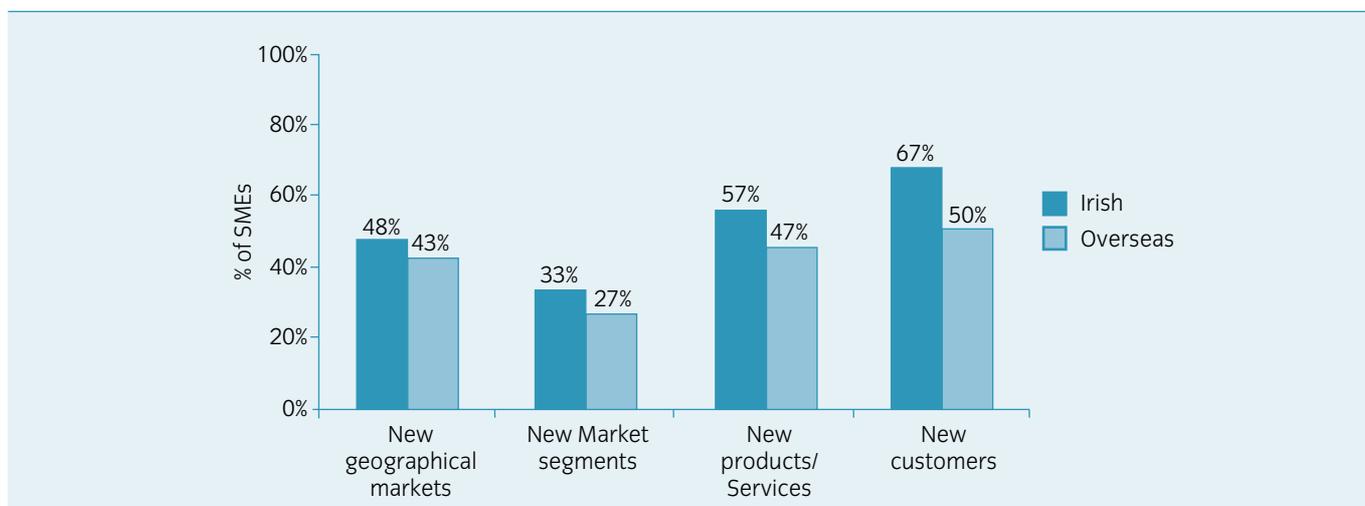
47 "Strategies for Diversification", Harvard Business Review, Sept.-Oct. 1957, p.114

The model does not distinguish between new geographical markets, new customer segments and new customers. The survey of Irish and international SMEs examined these nuances to provide an understanding of where the focus of new business generation lay.

Figure 34 illustrates the principal sources of new business for Irish and international SMEs.

- New customers were the main source of new business, in 2003, for both Irish and overseas firms surveyed. However, the Irish figure for growth through new customers is notably higher at 67% compared to 50% for the overseas firms;
- 57% of Irish SMEs had achieved new sales through the introduction of new products or services. Qualitative feedback indicated that this allowed them also to maintain or increase business with existing customers, by substituting older products and services coming to the end of their life cycle. It also allowed them win new customers, enter new market segments, and expand into new geographic markets. This is a higher rate than the overseas firms at 47%.

Figure 34: Q: Where has your company obtained its new business within the last year?



The Irish SMEs were also more active in seeking business from new geographic markets and from new market segments. However, this may reflect a broader existing geographic and market coverage by overseas firms.

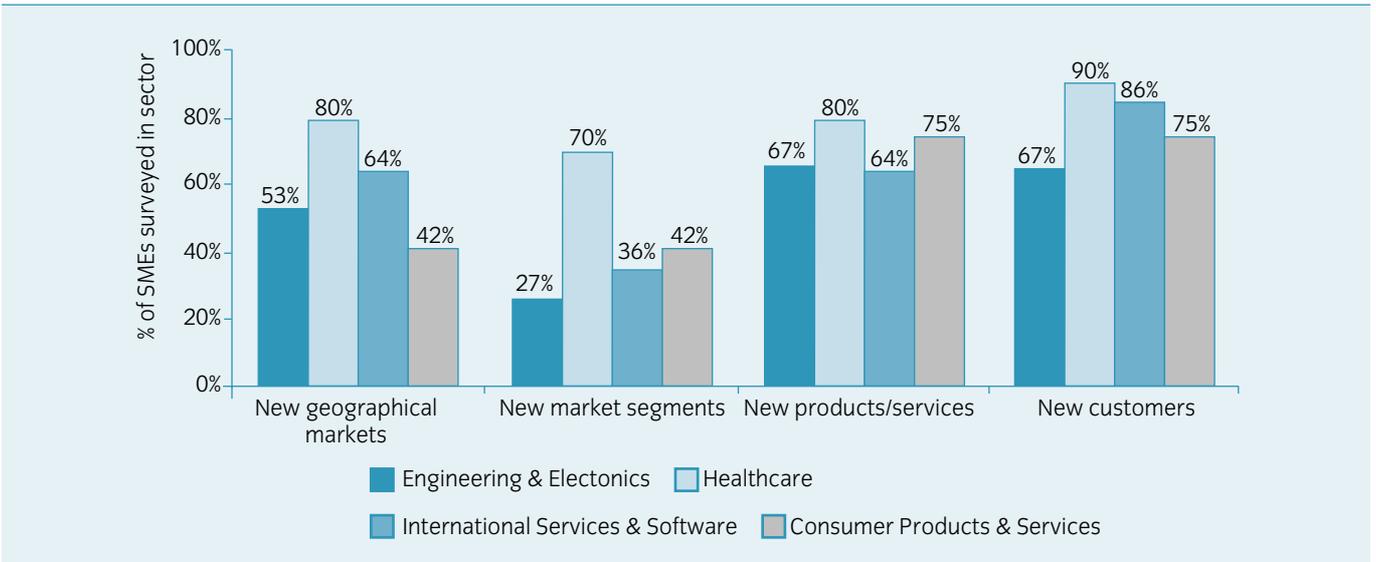
Responses to the above question by SMEs indicated that sales to existing customers were maintained or either fell off slightly and were replaced by sales to new customers. The reason SMEs looked to new customers for incremental sales rather than increasing sales through existing customers ranged from:

- the small size of the market in Ireland and the need to look for sales overseas;
- saturation of the existing customer base by more intense competition;
- existing customer base not increasing orders due to the downturn in the economy in 2003; and
- easier access to customers in overseas markets where less competition existed.

Cross-sectoral Analysis of Sources of New Business (Irish SMEs)

All sectors are going after new customers, and introducing new products or services. The main differences occur in seeking new business in new market segments, and new geographic markets. Only 27% of the engineering and electronics firms won business from new segments, compared to 70% of healthcare firms. International services and software, along with food/consumer products, were also comparatively low in this area. Overall the most dynamic sector appears to be healthcare, which has the highest percentage of firms going after new business in all four areas.

Figure 35: Cross-sectoral analysis of Sources of New Business (Irish SMEs)



6.5 FOCUS ON ‘BREAKTHROUGH’ PRODUCTS & TECHNOLOGIES

Innovation is vital to the long term survival and growth of Irish SMEs. Many Irish firms are moving up the value chain in terms of their innovation processes. In new product development Irish SMEs are generally creating innovation in four ways:

Figure 36: Level of product innovation

Imitations	Copies of existing products but with improved features and benefits
Line extensions	New products within an existing range or category
Adaptations	Modifications of a product or services for a new sector or application
Breakthroughs	Completely new products or services that are significantly superior to what were available previously.

The first three categories are incremental-type innovations that occur regularly, while the last category – ‘breakthroughs’ - occur occasionally but can create whole new markets.

Most firms surveyed in this study were focusing on product and technology innovation, with a significant majority seeking breakthroughs. The following graph shows that 54% of respondents experienced breakthrough innovation in new product development, while 41% had breakthroughs in new technology. It appears to be harder to create ‘breakthrough’ in other areas such as services, manufacturing, customer experience, business model, and channels to market. At the same time SMEs are introducing incremental changes to these areas. The high percentage (57%) of incremental innovation in services suggests that SMEs are following a ‘solutions’ based approach to respond to customer needs and may reflect the increasing demands of customers for additional services linked to products they purchase.

Overseas firms surveyed are less focused on breakthrough innovation in products and technology and more on incremental innovation. Interestingly, 13% of the overseas firms are involved in service innovation, compared to just 3% of the Irish firms surveyed. Since the service element of an overall supplier’s offering is increasing in importance and can be critical for winning and retaining business, this is an issue that may need to be addressed as a matter of urgency. More overseas firms focused on business model innovation, 17% versus only 8% of Irish firms. There may be a lack of awareness among Irish firms that innovation can have multiple modes, and is not confined to the traditional areas of manufacturing processes, technology and products.

Figure 37: Q: Where does your company focus on innovation and to what degree (Irish SMEs)?

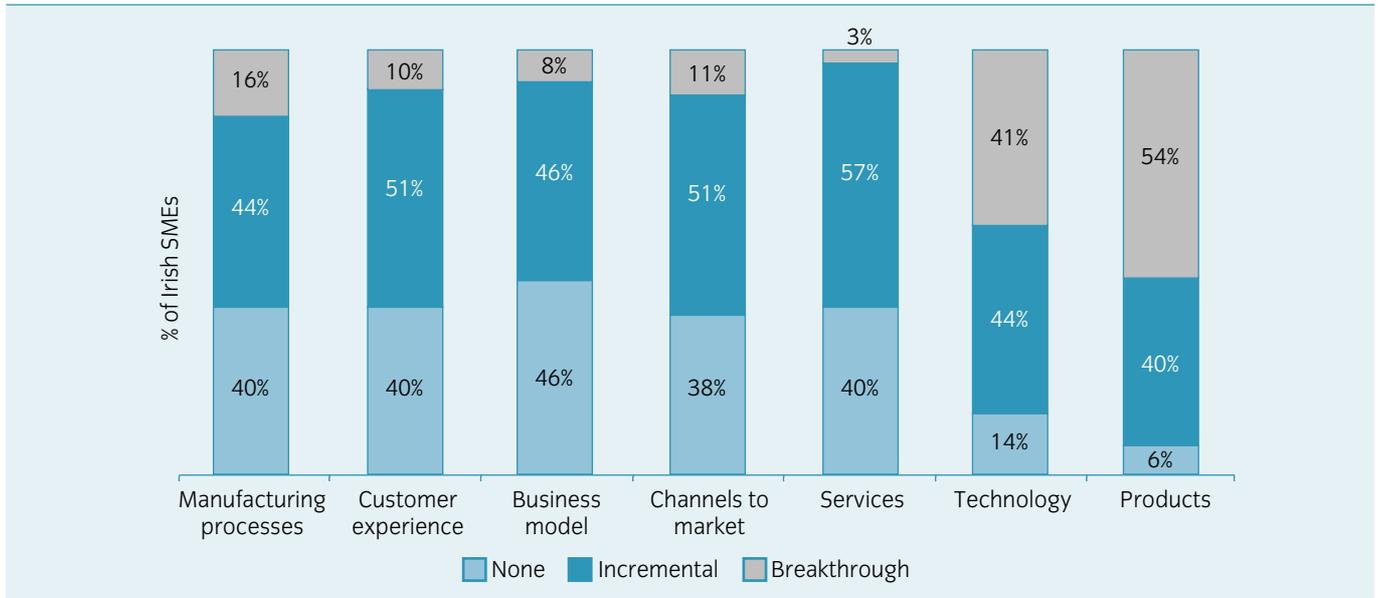
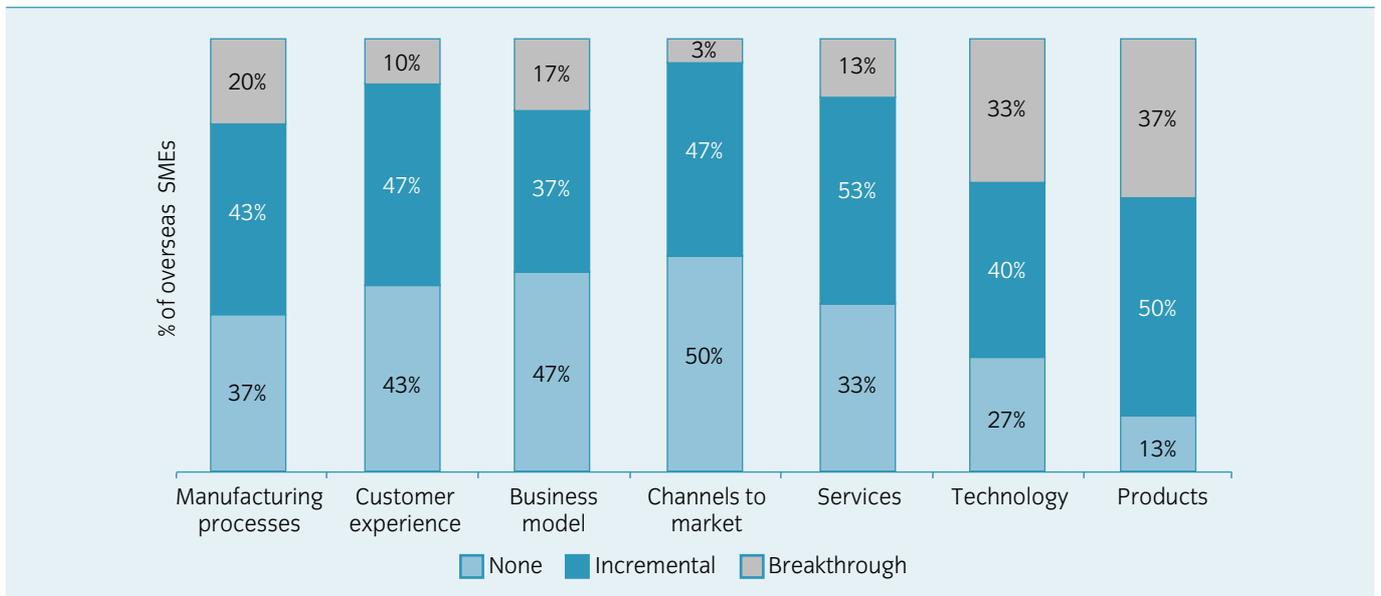


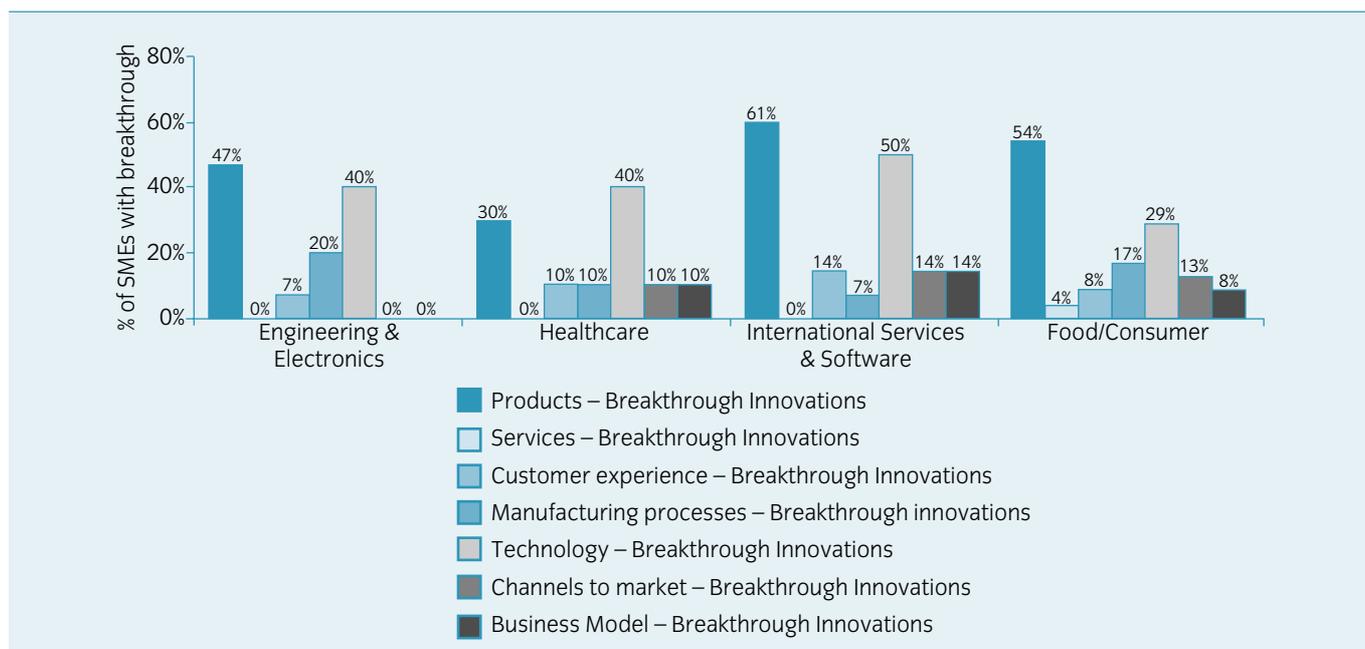
Figure 38: Where does your company focus on innovation and to what degree (Overseas SMEs)?



Cross-sectoral analysis of Breakthrough Innovation (Irish SMEs)

International services and software, together with consumer products, are the sectors that are most active in seeking breakthrough product innovation. All sectors are seeking product and technology breakthroughs to a greater or lesser degree, but only consumer products is seeking breakthroughs in service, and even then only 4% of consumer firms.

Figure 39: Cross-sectoral analysis of Breakthrough Innovation (Irish SMEs)



6.6 SUPPORT NEEDED IN EARLY STAGES OF THE INNOVATION CYCLE

The survey examined and compared the relative strengths of SMEs according to the different stages of the innovation cycle which were defined in simple steps as:

1. Ideas generation;
2. Screening of best ideas;
3. Concept development through cross-functional teams;
4. Use of pilot projects;
5. Scaling up from prototype; and
6. Product Launch (provision of adequate resources).

The findings of the survey indicate that Irish SMEs show better performance than overseas SMEs in all stages of the innovation cycle. The responses show that SMEs are weaker at the early stages of the innovation cycle and only adopt formal approaches at the prototype / pilot project stage. The following are the key points in relation to the innovation management process:

- 43% of the Irish SMEs surveyed have a formal process in place for idea generation and screening, compared to approximately 20% of overseas firms.
- Anecdotal evidence from SMEs surveyed highlights a lack of understanding of how to go about the idea generation phase and a lack of ‘tools’ to structure this most important phase in the process. A senior executive summed it up as follows: “We are asked to come up with new ideas for developing new products but we have no training in this area”.
- Good practice in innovation management emphasises the importance of working in cross-functional teams. 54% percent of respondents had a formal structure in place to enable teams work cross functionally.
- 71% of firms responding stated they had formal structures in place to scale up from prototype, suggesting that SMEs have a strong manufacturing and development capability in place.
- 67% of Irish SMEs had a formal approach to allocating adequate resources (human resources and investment in developing the product before commercial launch) to the launch of new products, compared to just 40% of overseas SMEs.

Figure 40: Q: How structured (ad hoc versus formal) is your company's approach to innovation at the various stages of the process (Irish SMEs)?

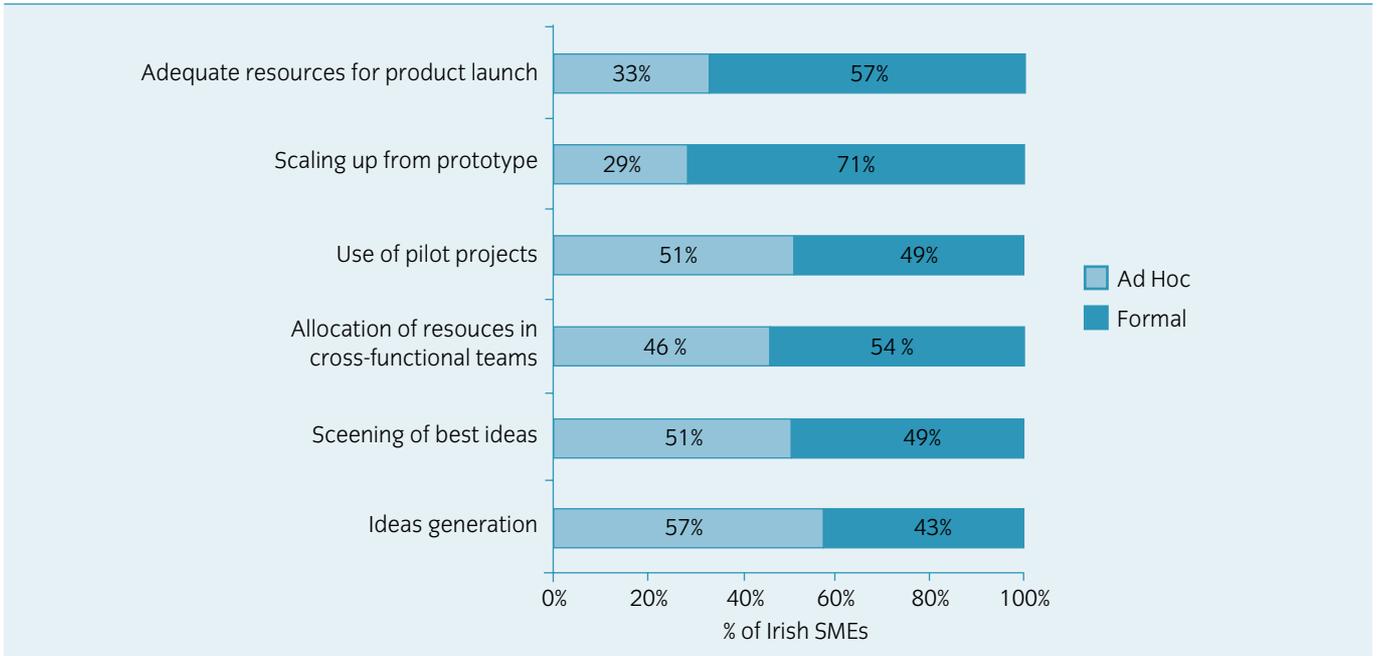
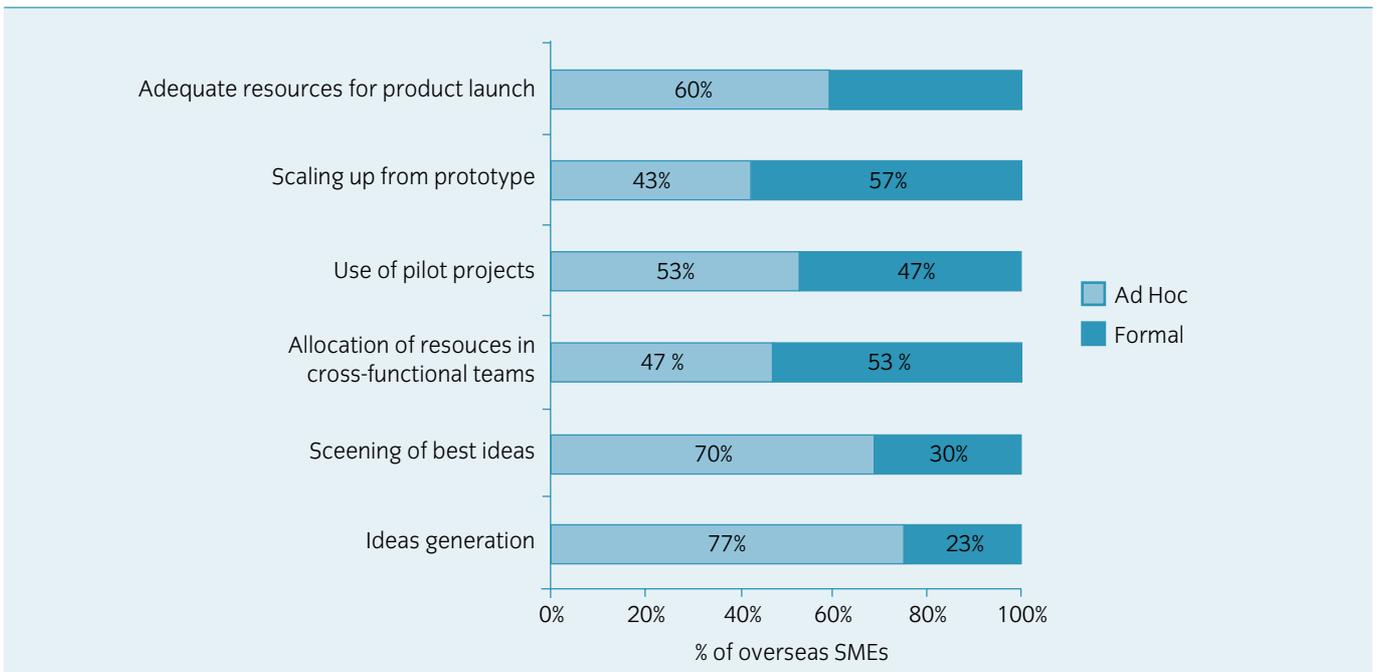


Figure 41 illustrates the approach by overseas firms to the innovation cycle. When compared to overseas SMEs, the Irish SMEs are ahead in all stages, but particularly at the early stages of ideas generation and screening. By making improvements in the early stages of the innovation management cycle, Irish SMEs could increase their market share within their sectors and further increase their competitiveness in the international market.

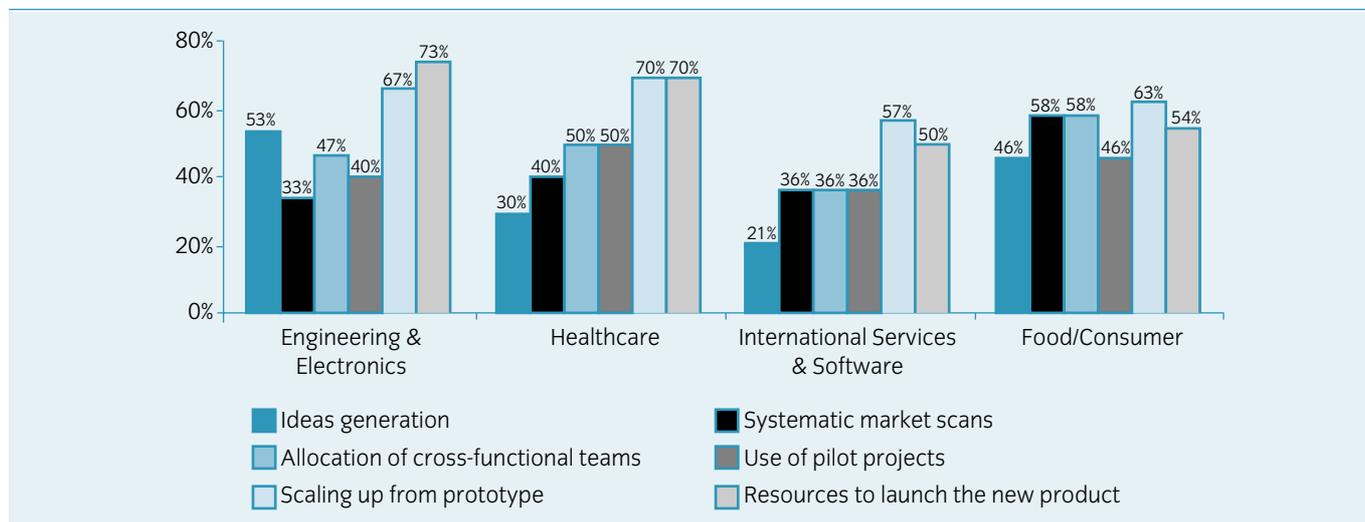
Figure 41: Q: How structured (ad hoc versus formal) is your company's approach to innovation at the various stages of the process (overseas SMEs)?



Cross sectoral analysis of innovation management (Irish SMEs)

In terms of how structured companies are along the innovation cycle, the engineering and electronics sector is best at ideas generation and consumer is best at systematic market scanning. The least structured at these tasks is the international services and software sector. All sectors are good at scaling up from prototype, and at allocating resources to launch products. Healthcare and consumer are best at allocating cross-functional teams.

Figure 42: Cross sectoral analysis of innovation management (Irish SMEs)



6.7 CUSTOMERS ARE THE MOST IMPORTANT SOURCE OF INNOVATION

When assessing sources of innovation in SMEs, Figure 43, according to the survey results, shows:

- 86% of Irish SMEs generate new ideas through their customers;
- 73% of Irish SMEs also involve all their staff in the search for new ideas; and
- only 35% of Irish SMEs confine idea generation to the top management team.

One company in the survey related that they had tried to involve all staff in the innovation process and used external facilitators, but the exercise was unsuccessful and no ideas were forthcoming. However, the company felt that it gave up too easily and should have persisted. This example suggests that there may be a need for external facilitative support in creating and encouraging innovation at all levels and functions within Irish SMEs.

The fact that customers are the most important source of ideas for innovation reflects a very customer focused attitude on the part of Irish SMEs that many claim as a critical success factor. It also explains why SMEs have successfully adapted to changing market needs by 'listening to the customer'. It is this central focus on the customer that is driving business even where documented plans and processes may be weak. A customer focus is even more characteristic of the overseas SMEs, with 91% mentioning it as a source of innovation.

Suppliers have an important role in innovation for Irish SMEs

The survey results show that 48% of Irish SMEs are using suppliers and alliances, compared to just 33% and 40% respectively for the overseas firms. Suppliers are more important than universities and research centres as sources of innovation, and indeed many suppliers (e.g. food ingredient companies) would themselves have large R&D departments willing to work with customers to develop solutions. This finding has also been noted by other studies as a new development across Europe⁴⁸. Such leveraging of

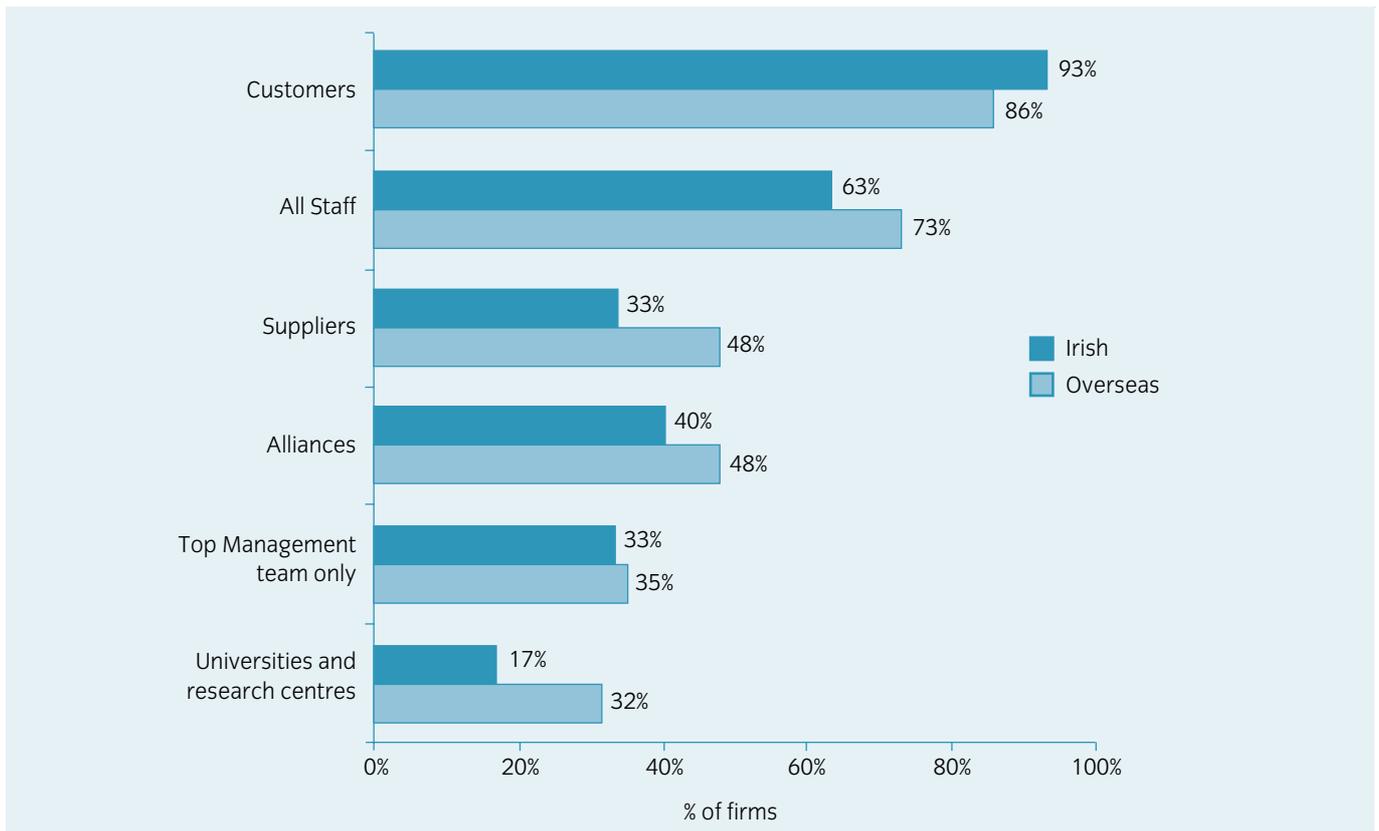
48 Innobarometer 2002, European Commission, October 2002

external resources can give firms access to knowledge and resources that would otherwise be unaffordable, and should be encouraged.

Irish SMEs are not exploiting links with universities and research centres

32% of Irish SMEs surveyed have links with universities and research centres compared to just 17% of overseas firms. Anecdotal evidence suggests that this reluctance to link with universities and research centres reflects the difficulty of commercialising academic research.

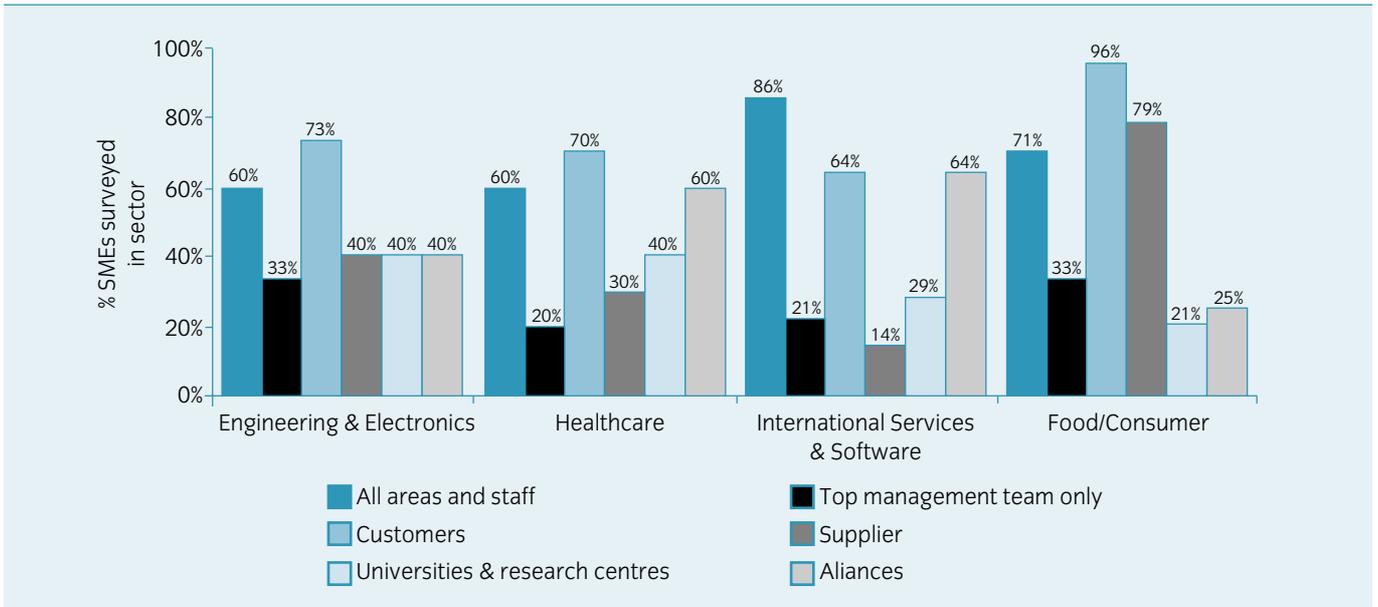
Figure 43: Q: What are the sources of innovation in your company?



Cross sectoral analysis of sources of innovation (Irish SMEs)

The notable sectoral differences are the high percentage of consumer product SMEs that seek innovation from customers and suppliers, 96% and 79% respectively, and the very high percentage (86%) of international services/software firms that seek ideas from all staff. Alliances are important for all sectors except consumer products. Use of universities and research centres is low all round, with engineering and electronics and healthcare, both at 40%, being the main users.

Figure 44: Cross sectoral analysis of innovation management (Irish SMEs)

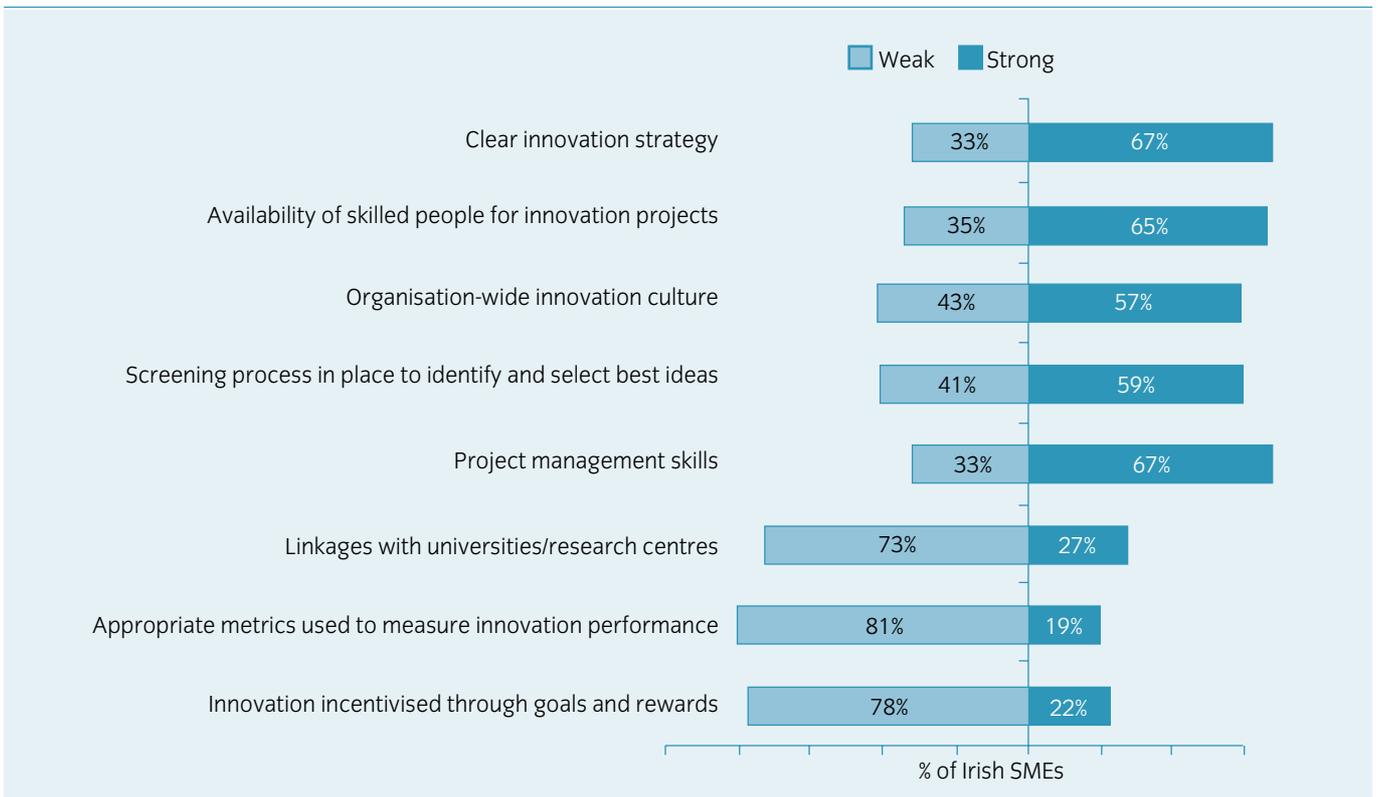


6.8 NEED TO STRENGTHEN SME INNOVATION CAPABILITY

The survey examined where SMEs strengths in innovation lay and the barriers to improving performance in innovation. 67% of SMEs surveyed were confident that they had a clear innovation strategy and 65% said that they had the people to deliver it, with the appropriate project management skills (67%).

Irish SMEs were somewhat less confident (at 57%) about having an innovation culture throughout the organization but a relatively high 43% saw this as a weakness. 59% were satisfied they had adequate processes in place to screen and select the best idea. This an area for improvement as inadequate screening can lead to wasted effort which could have been applied to projects with a greater chance of success.

Figure 45: Q: How does your company rate on the following innovation capabilities (Irish SMEs)?



Linkages with universities and research centres are weak and reflect the evidence that discounts universities and research centres as a source of new ideas. Few companies use measures of innovation performance, or incentivise innovation through their objectives and reward systems.

Best practice example of employing skilled R&D manager

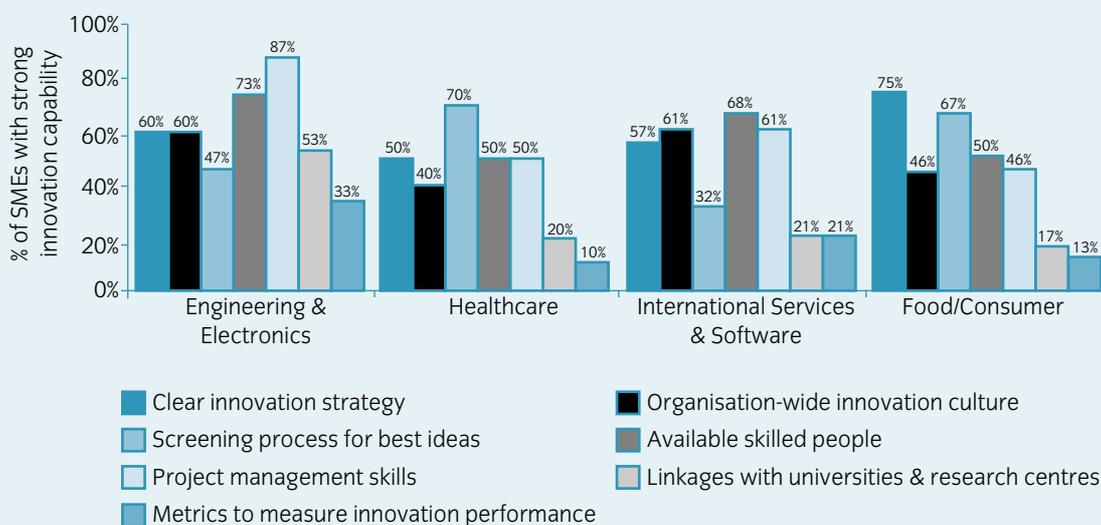
A very successful Irish SME included in the survey, recounted how they made a broad range of products for a diverse range of sectors. The company was sales growth focused and the NPD function was totally reactive and unstructured, leading to confusion among staff as to priorities and products being launched without being fully ready, which caused problems in the marketplace.

With EI financial support, a senior R&D manager was recruited from a multi-national firm, and he introduced basic NPD procedures and disciplines. Within six months there was a dramatic improvement, based simply on the introduction of fundamental elements of best practice which were intuitively obvious but which nobody in the firm previously had experience of.

Cross sectoral analysis of innovation capabilities (Irish SMEs)

The innovation capability areas where companies see themselves as strong vary by sector. Engineering and electronics has the greatest level of project management skills, while consumer claims to have the clearest innovation strategy but is weak in availability of skilled people and project management skills. All sectors claim to have an organisation-wide innovation culture to a greater or lesser degree. Engineering and electronics is the main user of metrics and university linkages.

Figure 46: Cross sectoral analysis of innovation management (Irish SMEs)



6.9 RECOMMENDATIONS AND ACTIONS

This section addresses how to improve innovation performance – critically important to SME survival and growth. Recommendations and actions for implementation by relevant bodies are presented in Figure 47, followed by detailed explanations.

Figure 47: Recommendations and actions relating to improving innovation capabilities

Recommendation	Actions	Implementation
Developing best practice in innovation capabilities		
7. Promote innovation among SMEs	<ul style="list-style-type: none"> A. Develop an awareness campaign to increase SME awareness of the importance of innovation; B. Provide an innovation auditing service to SMEs, e.g using an innovation capability scorecard as developed in this study for Irish SME needs; C. Encourage collaboration between the innovation and marketing functions in SMEs to ensure innovation is market led; and D. Provide support to SMEs in identifying future innovation trends. 	Enterprise Ireland; Bord Bia
8. Cultivate expertise in innovation.	<ul style="list-style-type: none"> A. Make innovation an integrative subject at third level; B. Provide basic skills training in innovation process management for technical and marketing staff; C. Develop a portal to facilitate sharing of best practice linking marketing and innovation; D. Support placement of SME innovation personnel within MNCs to learn best practice; E. Expand the number of tailored, action-oriented, sector specific training programmes; and F. Develop innovation management processes tailored to SME needs. 	<ul style="list-style-type: none"> HEIs Enterprise Irl. Enterprise Irl. Enterprise Irl. Enterprise Irl. Enterprise Irl.

RECOMMENDATION 7: PROMOTE INNOVATION AMONG SMEs

Action A: Develop an awareness campaign to increase SME awareness of the importance of innovation

CEOs need to become aware of the strategic importance of innovation and that it embraces more than the traditional areas of product, technology and manufacturing processes. They also need to learn that successful innovation requires a company-wide innovation culture which they must lead, and may involve working with external parties such as third level institutions and suppliers to access skills and other resources not available in-house. This can be done through publicity and case studies, and CEO events organised by state agencies.

It is also necessary to develop a general industry awareness campaign to highlight the merits of improved innovation capabilities. This can be achieved through regional seminars conducted with industry associations with inputs from CEOs of leading SMEs within the sector. These would be supported by media releases and the marketing, “best practice” portal discussed below to encourage best practice.

Action B: Provide an innovation auditing service to SMEs

The current survey established that Irish SMEs have gaps in their innovation capabilities, and that most focus on the traditional areas of product, technology and manufacturing process innovation to the exclusion of other areas such as service and customer experience. We recommend that there should be regular benchmarking and skills audits of firms to make them aware of the skill areas where they need to improve, and of areas where they are overlooking the potential for innovation. EI funded one-day audits have already proven their worth in areas such as e-business readiness.

While a number of approaches are available to measure performance, the innovation capability scorecard developed for this study takes account of the specific needs and context of Irish SMEs and would appear to be an appropriate basis for ongoing benchmarking.

Action C: Encourage collaboration between innovation function and marketing function in SMEs to ensure innovation is market led

Conventional design processes focus more on engineering capabilities and less on customer needs. When they do try to incorporate customer perspectives, these tend to be engineer-perceived or producer-perceived. There are proven methodologies such as the Japanese originated 'Quality Function Deployment' (QFD), which focuses all product development activities on customer needs. It is described as 'Voice of the Customer and the Voice of the Engineer' and is based on rigorous market research feeding into the technical design process. The 'marketing and innovation' portal recommended below can play a role in bringing the two business areas closer.

Action D: Provide support to SMEs in identifying future innovation trends

Upgrade SMEs' market research skills to ensure that they look at the overall market and competitive environment, especially anticipating future trends and developments, so that when new products or services are launched they are not obsolete or with a limited sales life remaining.

RECOMMENDATION 8: CULTIVATE EXPERTISE IN INNOVATION

Action A: Make innovation an integrative subject at third level

The survey highlighted the weak performance of Irish SMEs at the early stages of the innovation process, particularly in terms of ideas identification and screening. It also highlighted the need for improved skills in market research, new product development and intellectual property commercialisation. These deficits could be rectified by innovation management becoming a major module within business and technology courses.

Action B: Provide basic skills training in innovation process management for technical and marketing staff

The following are the primary skills needs in innovation management that should be addressed:

- Ideas generation and screening;
- Training for cross-functional teams;
- Project management; and
- Intellectual property management.

Action C: Develop a portal to facilitate sharing of best practice linking marketing and innovation

This would be a critical resource to promote best practice in marketing and innovation, and foster closer ties between the two areas, using on-going learning tools, diagnostics, techniques, etc. It would promote best practice to busy executives who state they do not have time to attend even short courses.

The portal would also be a conduit to permit firms to network and learn from one another, to make comparison with peer SMEs or to learn through case studies. Links could be provided to relevant resources such as the QFD Institute.

Action D: Support placements of SME personnel within MNCs to learn best practice

SMEs are required to deal with increasingly sophisticated customers. They could benefit greatly by placing key personnel for agreed training periods within MNCs or other large organisations recognised as having best practice processes. An example would be to place SME innovation personnel in the design department of an MNC.

Action E: Expand the number of tailored, action-oriented, sector-specific training programmes

Companies are more likely to support programmes that are sector-specific, particularly where endorsed by the relevant trade association. Tailored programmes with a sectoral focus are seen to be very relevant, time efficient and to deliver immediate benefits by implementing practical skills. Training is followed up by on-site support to transfer learning into action and this should ideally apply to all courses.

Action F: Develop innovation management processes tailored to SME needs

The literature on innovation mainly addresses processes in larger firms. SMEs often do not have the resources or time to follow very structured written processes. Simple pragmatic models of innovation management and training are required to suit the particular needs of SMEs. A joint programme between SMEs, possibly on a sectoral basis, would be the proposed route.

These programmes would operate with the collaboration of international sector specific innovation experts who would manage the short courses. Leading innovators in Irish SMEs would share their experiences with programme participants.

Relevant innovation material, tools and frameworks could be provided to course participants on the portal site discussed earlier. The potential for linking into existing innovation portals such as *ExpertiseIreland* (www.expertiseireland.com) should be examined further.



SUMMARY OF RECOMMENDATIONS

The total of 8 recommendations and 23 actions proposed in Sections 4, 5 and 6 are collected together in Figure 48. The prime responsibility for action on the education recommendations lies with individual third level institutions.

Enterprise Ireland, with the support of the Department of Trade, Enterprise and Employment and FÁS, should continue its coordinating role in actions relating to training, building SME capabilities and improving awareness, in liaison with Bord Bia for the food sector.

Enterprise itself also has a key role to play. Senior management of SMEs must assume primary responsibility for enhancing their firm’s capabilities. State supports and programmes will not succeed unless firms themselves invest the time and resources in upgrading the skills of their employees. Traditionally most firms have not given training the priority it requires and training providers constantly struggle to fill courses, even those designed in conjunction with enterprise. Enterprise bodies such as SFA and ISME can contribute significantly to implementation of the action programme.

Figure 48: Collected Recommendations and Actions

Recommendation	Actions	Implementation
Recognising SME needs in education		
1. Align third level marketing and sales curricula more closely to the needs of SMEs.	A. Incorporate modules that focus on the practical capabilities required by SMEs in third level marketing and sales curricula; B. Make industry placements an essential part of all business, marketing and sales degree courses; C. Improve networking between third level institutions and SMEs, e.g. by increasing and pooling the resources allocated to industry liaison; and D. Incorporate marketing and sales modules in curricula of technical disciplines in third level institutions.	HEIs HEIs HEIs; Enterprise Ireland HEIs
Tailoring training programmes to SME needs		
2. Provide training in sales and marketing for personnel in SMEs with no qualification and/or insufficient sales and marketing training.	A. Develop training programmes to up-skill sales personnel from a technical background in sales and marketing competencies.	Enterprise Ireland; Training Providers
3. Make training more accessible, focused and action-oriented, and provide on a sectoral basis, where possible.	A. Expand the number of tailored, action-oriented, sector-specific training programmes, aligned to the level of experience of participants and accessible to SMEs.	Enterprise Ireland; Training Providers
Meeting the demand for experienced sales personnel		
4. Assist SMEs to source experienced sales staff.	A. Provide support in recruitment, e.g. sourcing personnel through targeting, financial support, etc, and in human resource management, e.g. defining skill gaps, job specs, remuneration packages, etc.	Enterprise Ireland

Recommendation	Actions	Implementation
Developing best practice in marketing and sales capabilities		
5. Develop world-class marketing and sales competencies among SMEs.	<ul style="list-style-type: none"> A. Develop an awareness campaign to highlight the merits of improved marketing and sales capabilities; B. Develop a portal to facilitate sharing of best practice in marketing and sales; C. Provide a marketing and sales capabilities benchmarking service e.g. using a marketing and sales capability scorecard as developed in this study for Irish SME needs; and D. Develop placements of SME personnel within MNCs to learn best practice. 	Enterprise Ireland; Bord Bia
6. Improve sales management in SMEs.	<ul style="list-style-type: none"> A. Provide sector-specific sales management training and support in sourcing experienced sales managers; and B. Provide advice on IT solutions for sales management. 	Enterprise Ireland; Training Providers
Developing best practice in innovation capabilities		
7. Promote innovation among SMEs.	<ul style="list-style-type: none"> A. Develop an awareness campaign to increase SME awareness of the importance of innovation; B. Provide an innovation auditing service to SMEs, e.g using an innovation capability scorecard as developed in this study for Irish SME needs; C. Encourage collaboration between the innovation and marketing functions in SMEs to ensure innovation is market led; and D. Provide support to SMEs in identifying future innovation trends. 	Enterprise Ireland; Bord Bia
8. Cultivate expertise in innovation.	<ul style="list-style-type: none"> A. Make innovation an integrative subject at third level; B. Provide basic skills training in innovation process management for technical and marketing staff; C. Develop a portal to facilitate sharing of best practice linking marketing and innovation; D. Support placement of SME innovation personnel within MNCs to learn best practice; E. Expand the number of tailored, action-oriented, sector specific training programmes; and F. Develop innovation management processes tailored to SME needs. 	<p>Higher Education Institutions</p> <p>Enterprise Irl.</p> <p>Enterprise Irl.</p> <p>Enterprise Irl.</p> <p>Enterprise Irl.</p> <p>Enterprise Irl.</p>

APPENDIX 1: STUDY TERMS OF REFERENCE

1. INTRODUCTION

The National Development Plan (NDP) 2000-2006 has identified that the need for investment in marketing is appropriate both in terms of assisting the indigenous enterprise sector and regional development. The strategy underpinning the NDP investment in marketing is driven by:

- increasing the level of exports in the indigenous sector, with an emphasis on SMEs and market diversification;
- assisting the marketing function of firms disadvantaged by their peripheral location;
- assisting those sectors which have yet to fully embrace marketing.

The NDP also contains provision for sectoral marketing in industry and the food, fisheries and forestry sectors. Forfás now wish to commission research into the level of marketing and selling skills of indigenous industry (on behalf of EG&SN, Bord Bia, Enterprise Ireland and Forfás).

2. OBJECTIVES

The overall objectives of the study are to:

1. Identify key metrics that will allow comparison of Irish indigenous marketing capability with another country;
2. Review and compare the marketing and selling practices of Irish owned industry;
3. Identify best practice across SMEs in Ireland and elsewhere; and
4. Recommend initiatives to redress any identified deficiencies.

Specifically, the study task is to identify and synthesise gaps in terms of comparative best practice. Measurable criteria for each area investigated should be used to benchmark Irish marketing capabilities e.g. number of marketing employees per €m sales where possible. The study should also take account of potential differences between sectors and markets.

3. METHODOLOGY

This section outlines a methodology for conducting the study. However, tenderers are free to suggest alternative research methodologies to achieve the foregoing objectives and study requirements.

The study should investigate the marketing capability of indigenous Irish industry compared to indigenous industry in a comparable country e.g. UK by means of a limited number of interviews or focus groups.

The study should focus on sectors of high relevance to Irish indigenous industry. A sample of companies will be agreed with Forfás and Enterprise Ireland per sector.

In addition to the survey the study should conduct an in-depth review of existing, pertinent literature. The review should synthesise these reports and abstract common themes.

The study should also consult with relevant organisations including, but not restricted to, Government agencies, education providers (public and private), professional associations and representative organisations.

4. OUTPUTS

The main output of the project will be the production of a report which will outline the consultant's findings and recommendations in relation to the study objectives identified in Section 2 above. The Final Report should provide a number of insights rather than an empirical analysis from the results of a questionnaire.

The submission of the report will take place after the presentation by the consultant of the key findings of the study to the members of the project monitoring committee (see Section 6 below).

The consultant will also be required to produce an interim progress report.

The consultant will submit 20 bound copies of the final report and will also submit an electronic copy of the report in *Microsoft Word* format.

APPENDIX 2:

METHODOLOGY AND APPROACH

Stage 1: Reviewed literature to identify:

- Sales and marketing and innovation metrics and performance evaluation tools relevant to marketing and sales capabilities
- Best practice in sales and marketing and innovation
- Sales and marketing and innovation capabilities in SMEs in Ireland and internationally
- Skills supply

Stage 2: Developed scorecard for company survey

Key qualitative and quantitative metrics were identified to compare Irish companies against one another and against companies abroad covering, over 31 questions:

7 themes:

- Marketing and sales strategy processes
- Skills base and future demand
- Customer focus
- Marketing information systems
- Innovation
- Branding and promotion
- Use of information and communication technologies

Critical success factors

Barriers to improving marketing and selling skills

Opportunities for improving marketing and selling skills

Best practice among competitors

Stage 3: Screened and selected Irish and overseas SME sample for survey

Stage 4: Carried out survey of SMEs

Stage 5: Carried out interviews with state agencies, educational and training organisations and industry associations.

The following organisations were consulted during this study: Forfás, Enterprise Ireland, Bord Bia, the Expert Group for Future Skills Needs, FÁS, the Marketing Institute of Ireland, the Sales Institute of Ireland, the Irish Management Institute, the Small Firms Association, the Irish Medical Devices Association, InterTrade Ireland, all third level institutions, the Central Applications Office, the Department of Education and Science.

Stage 6: Analysed survey results

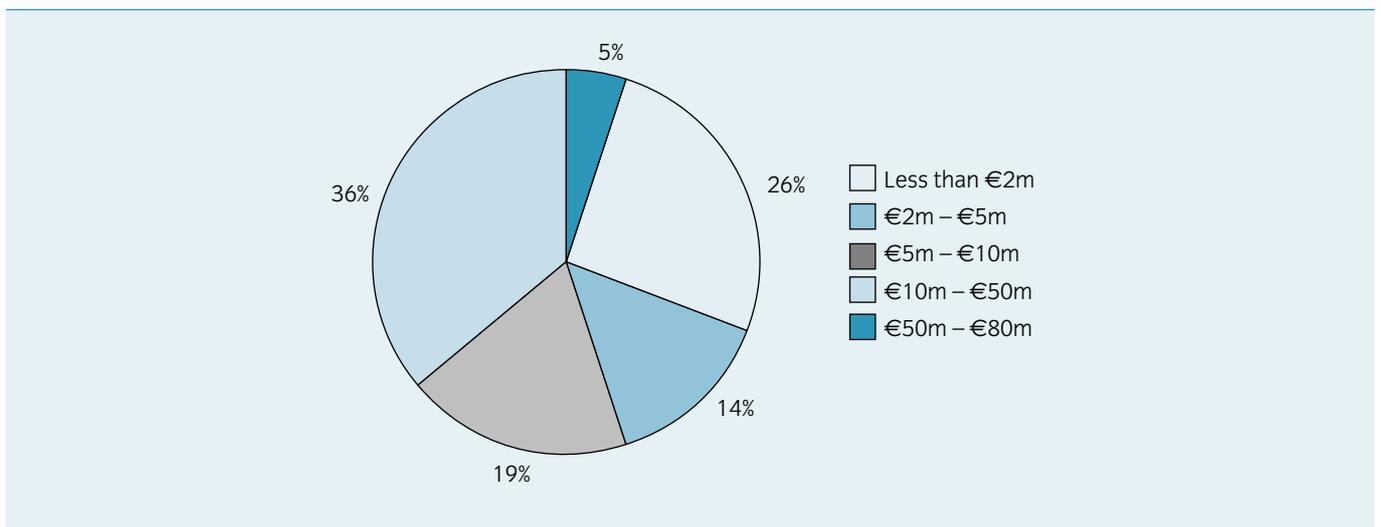
Stage 7: Synthesised findings and produced report

APPENDIX 3: PROFILE OF IRISH SMEs SURVEYED

This appendix provides more detailed information on the sample of internationally trading SMEs selected for the survey.

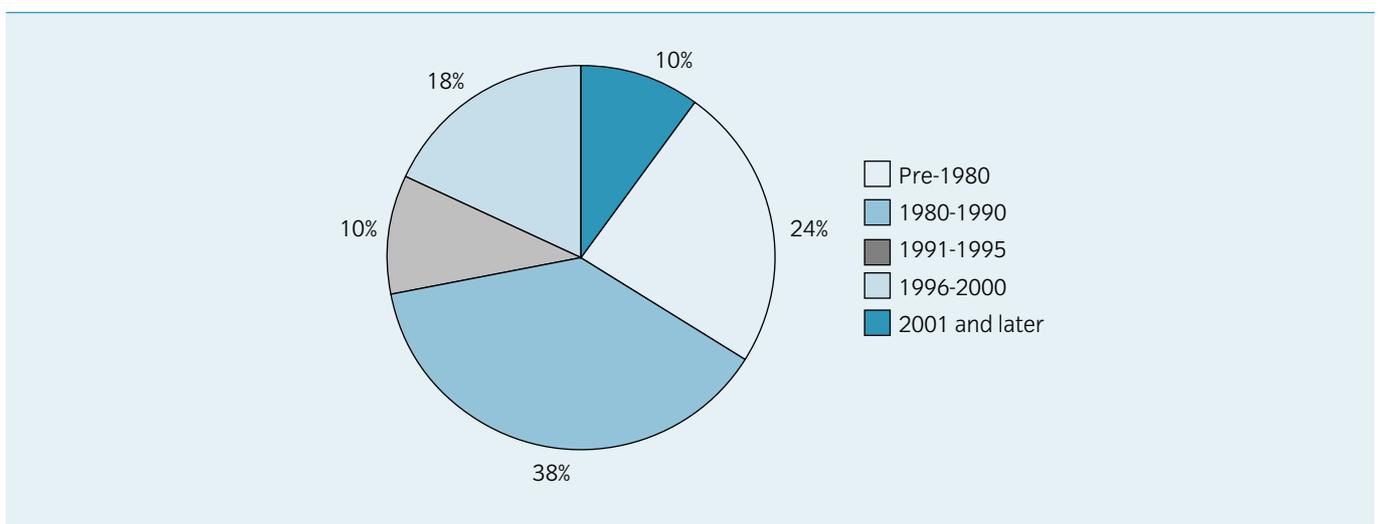
The Irish SMEs surveyed represent a good spread in terms of size and maturity. One-quarter have annual sales of less than €2 million; almost one-third have sales between €2 million and €10 million; while just over 40% have sales of more than €10 million.

Figure 49: Irish firms surveyed by sales revenue category



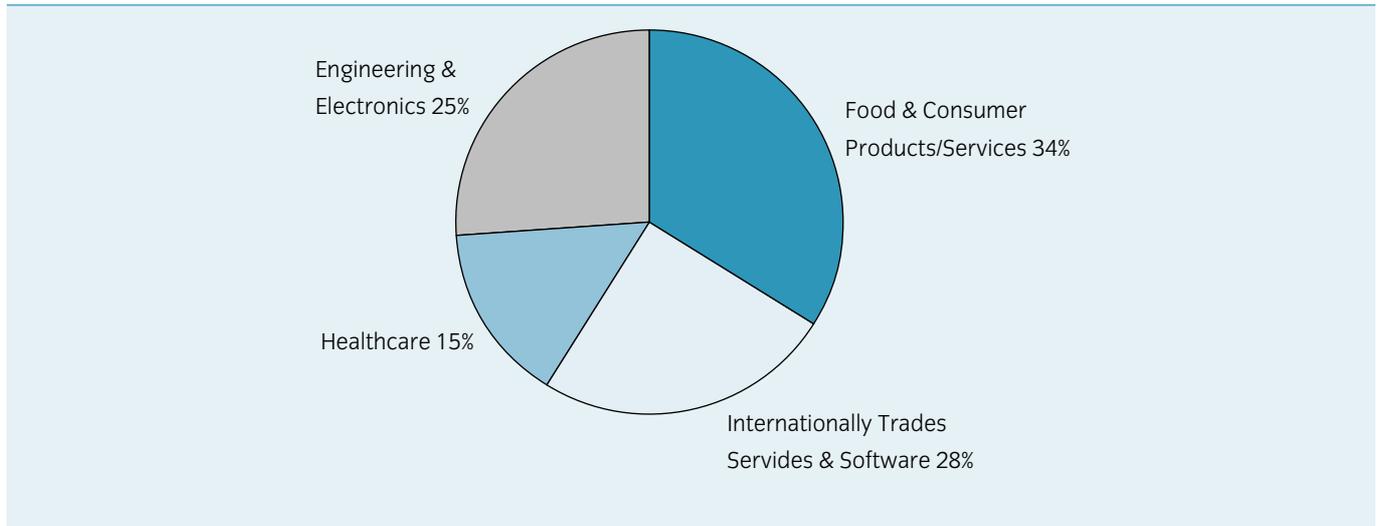
In terms of maturity, just over one-quarter were founded since 1996, and a full three-quarters since 1980, reflecting the relative recent development of industrialisation and entrepreneurship in Ireland.

Figure 50: Year of foundation of Irish firms surveyed



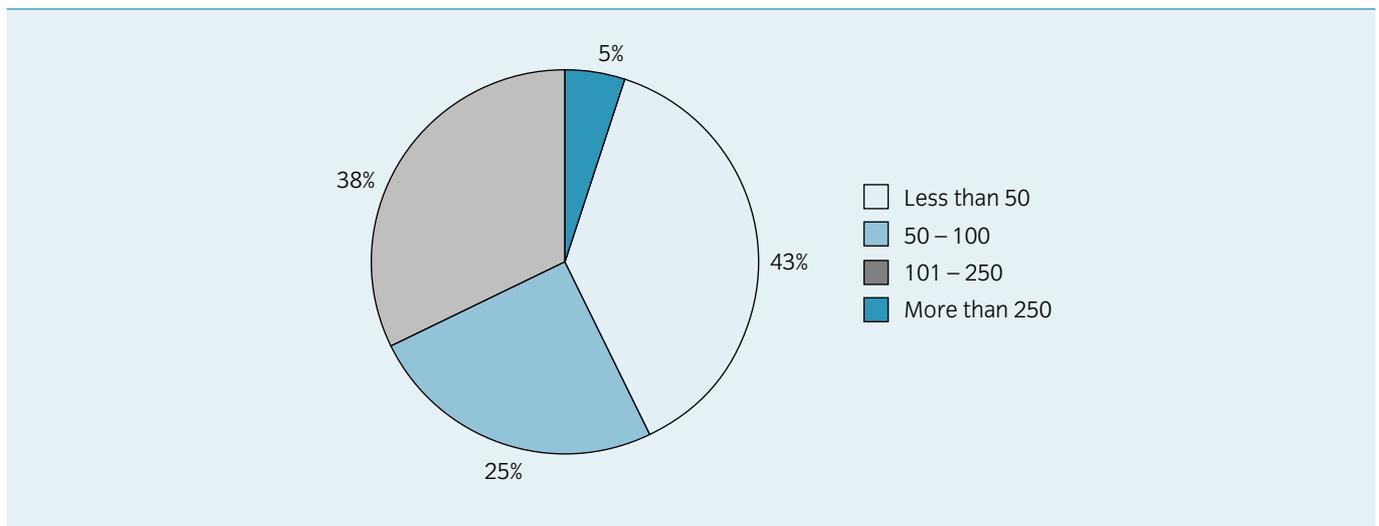
Sectorally, the sample of SMEs cover the spectrum of business from food to software. They also reflect the 2:1 mix of non-consumer to consumer firms in EI's client base.

Figure 51: Irish SMEs surveyed by sector



Looking at companies by number of employees, almost two-thirds employ less than 100, but over one-third employ more than 100. Quite a few companies have become significant employers in their area

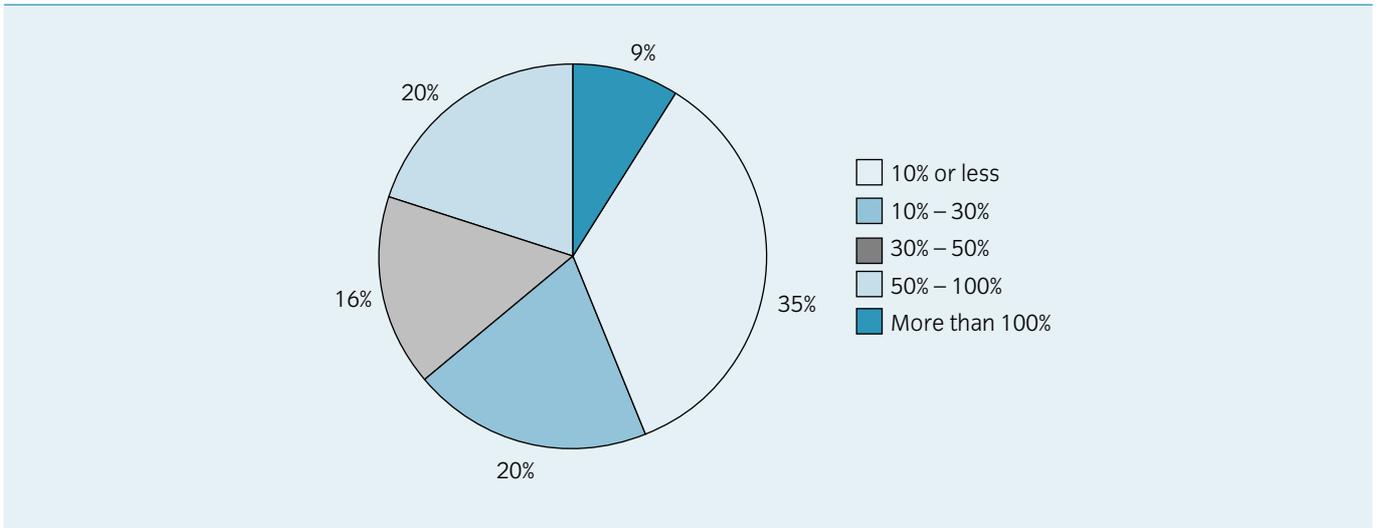
Figure 52: Irish firms surveyed by number of employees



However, when it comes to growth in revenue over the three-year period 2000 to 2003, the impact of the adverse world economy can be seen. One-third of companies experienced cumulative growth of 10% or less. This can be a reflection of various factors that affect each company differently, including downward price pressures, products coming to the end of their life-cycle and the next generation merely replacing the lost sales rather than contributing incremental revenue, or a serious collapse in spending by sectors such as telecommunications and information technology. Many of these companies have done exceedingly well to survive and may have had to work harder than the fast growth companies to do so.

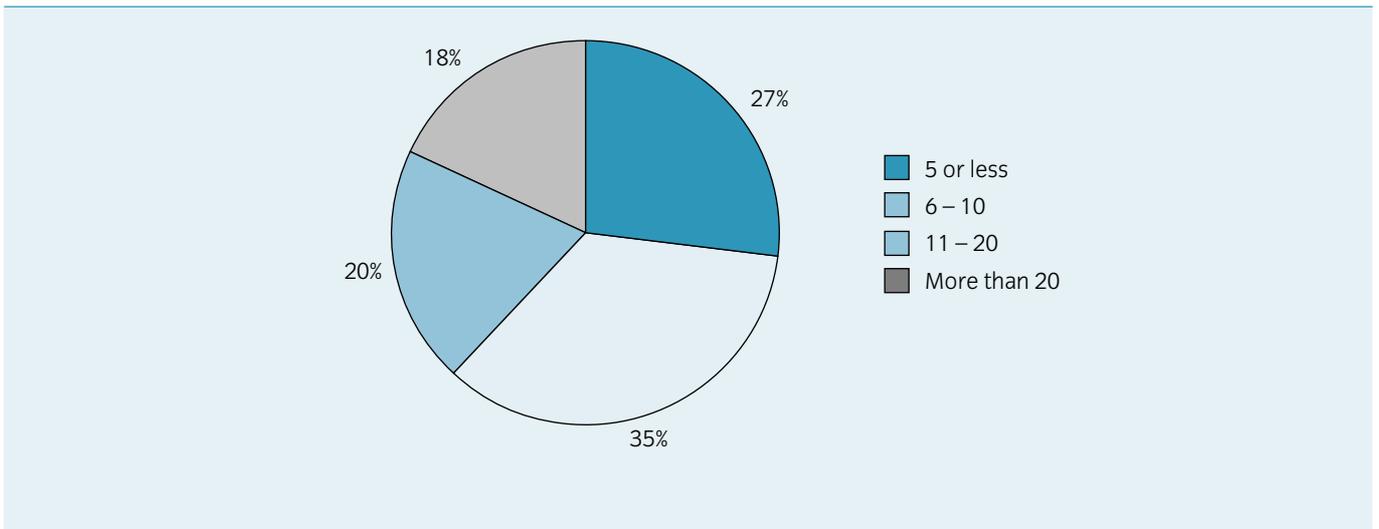
On the positive side, some 45% of firms reported three-year cumulative growth in excess of 30%, and 30% reported growth in excess of 50%. This is a very good performance in a generally difficult economic environment.

Figure 53: Irish SMEs surveyed by 3-year sales revenue growth



Reflecting the strong export orientation of Irish industry, three-quarters of the firms sell to more than 5 countries, and almost 40% sell to more than 10 countries.

Figure 54: Number of countries sold to by Irish SMEs surveyed



Almost two thirds of respondents were at managing director or chief executive officer level, while the remaining third was at senior management/director level.

APPENDIX 4:

LITERATURE REVIEW

RELEVANT ACADEMIC LITERATURE ON MARKETING AND SALES CAPABILITIES IN SMES

A review of the worldwide academic literature pertaining to SME sales and marketing highlights the leading role played by Irish academics in this area. John Murray in TCD, Aidan O'Driscoll in DIT, Jimmy Hill and David Carson in UU, and Ann Torres in NUI Galway have all published papers in international journals, often using Irish companies in their research sample. It is notable that their findings correspond very closely with the reality stated by companies in the survey for this report.

The main papers and the key findings from each are noted below:

A multidimensional study of the key determinants of effective SME marketing activity, Jimmy Hill
International Journal of Entrepreneurial Behaviour & Research, Part 1: Vol. 7 No. 5, 2001, pp. 171-204. Part 2:
Vol. 7 No. 6, 2001, pp. 211-235.

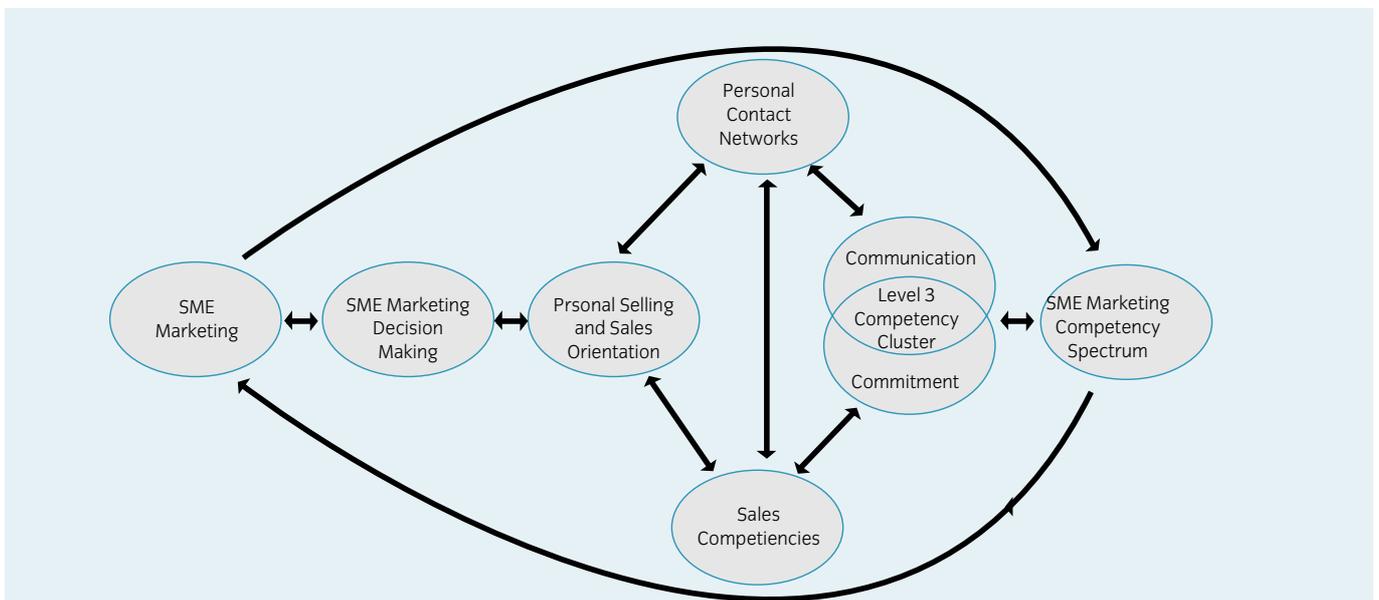
- Leppard and McDonald (1991) stated that the omnipresence of the owner manager has a significant impact on every aspect of the marketing activities of SMEs. This reinforced the notion that any examination of the marketing activities of small firms needs to take account, not only of the inherent characteristics of such enterprises, but also of the entrepreneurial characteristics of their owner-managers.
- Key personnel in the SMEs examined appeared to exhibit characteristically entrepreneurial behaviour in the absence of a founding entrepreneur/owner-manager.
- Dart and Pendleton (1984) suggest that most textbooks, educational establishments and researchers direct their thinking towards the promotional activities of large organisations and write that these are not easily adapted to suit small firms. What was evident was a type of marketing that bore the hallmarks of its entrepreneurial antecedents but was equally characterised by other aspects. Indeed, in some circumstances the founding entrepreneur was no longer there.
- Hardy (1992) develops an interesting dimension to the competency debate, when he suggests that every manager is a member of the marketing team and needs marketing skills, knowledge and orientation.
- [Hill identifies] a core set of marketing competencies, which he divides into general skills, sub-skills, knowledge, orientation (including values and standards) and fostering vision, creativity and pathfinding. General skills are described as identification and solution of marketing problems, use of problem-solving frameworks, for example, marketing environment analysis, and evaluation of options. Subskills include identification of market opportunity, creatively viewing and analysing markets, assessing competitors and markets, predicting market channel behaviour, managing market information, forecasting, financial analysis and organisational analysis.
- Rhys (1989) suggests that the small firm pursues its marketing function in a way which aims at insulating it as much as possible from direct competition with more efficient producers. He points out that, as a consequence, small firms are left with strategic options such as exploiting niches left by larger firms
- The most prevalent problems were a lack of knowledge about the marketplace and marketing planning.
- The entrepreneurial orientation has six dimensions. These are:

- the propensity to take risks;
 - a tendency to engage in strategic planning activities;
 - an ability to identify customer needs and wants;
 - a level of innovation;
 - the ability to persevere in making your vision of the business a reality; and
 - the ability to identify new opportunities.
- In order to generate these new sales, the SME must employ some form of marketing activity, most probably a combination of products, price, promotion and distribution. The implication here is that, whilst there is an emphasis on personal selling in the SME, to sell effectively the small firm owner/manager/decision maker must draw on other marketing variables.
 - Networking is knowing who is likely to have up to date information, the people with the most ingenuity, the financiers who might support a new idea, finding out how customers might react to a new service or product and convincing others that the new idea has business potential, and being able to access these in a transparent way.
 - This informal aspect to marketing planning drew heavily on informal contact networks. The operationalisation of planning was clearly enhanced through the use of personal contacts.
 - The experience competency is the most significant competency in the spectrum and it is one that permeates and characterises competence in every aspect of SMEs' activities. It is, however, seldom articulated.
 - Experience is a foundation level competency without which competent marketing cannot occur.
 - Experience enhances, sharpens and guides opportunistic instinct and hence influences major marketing decisions.
 - As a consequence of the sales focus of SMEs, the need for technical/product knowledge is particularly dominant. This aspect of knowledge is particularly strong in respect of the industry specific situation of many of the research companies. This contribution is significant also in that research to date has paid insufficient attention to knowledge of this nature. This is a consequence of inadequate recognition of the strong sales orientation of SMEs.
 - Intuition significantly fashions the entrepreneurial character of SMEs, particularly in the way respondents with high levels of intuition can read market situations quickly and are less reliant on formal procedures to inform "on the hoof" decisions.
 - Marketing in practice in SMEs is sales focused and driven by the need to make the sale.
 - It is this inseparability of competencies that actually results in effective marketing performance as opposed to acknowledging the possession of any one marketing competency.
 - There clearly exists a core spectrum of personal competencies for selling in SMEs. This spectrum comprised knowledge, experience, judgment, communication ability, particularly a cluster of communication competencies focused on personal selling and a sales orientation that is the relational communications cluster, commitment and confidence.
 - Although several studies have recognised the sales focus in SMEs, none has fully highlighted the significance of a selling orientation, nor indeed recognized how the sales orientation actually fashions the SME marketing competency spectrum.
 - Sales people in SMEs, whilst sales driven, actually do focus to a large extent on the needs of the customer. Conventional textbook views suggest that a sales orientation focuses on the needs of the seller.
 - The quality of good judgment is firmly embedded in a combination of other feeder competencies. These include the way in which sales people systematically gather and use market information discriminately, their capability to objectively analyse such information, the ability to analyse the results of their own

actions and decisions and their ability to learn from experience in order to make better judgments in respect of key business decisions.

- Today small firms are more likely to be populated with graduates with substantial theoretical knowledge of the tools and techniques of formal marketing.
- The marketing paradox is that on the one hand marketing is regarded as the preserve of the large firm yet small firms are often the personification of the marketing concept.
- Stage 4, which he describes as integrated, proactive marketing, is the stage of firm evolution where the firm emerges with more sophisticated marketing planning and where the various elements of the marketing mix are coordinated into longer-term strategies.
- The operational focus of marketing planning is very much in evidence.
- Much of the marketing planning in SMEs is actually shaped by the marketing plans of customers and suppliers and vice versa.
- The environment in which the small firm operates, particularly channel members in their microenvironments, constitutes a major influence on their marketing planning activity.
- The observable side of marketing in SMEs is simply the operationalisation of strategic marketing decisions, in other words very much the tactical implementation of marketing planning.
- Decisions are shared in most instances and the higher the level of complexity of the decision then the more consultation will be engaged in. It is noteworthy that joint marketing decisions are characteristic of the SME. These are implicit in the strategic alliances which the respondent companies engaged in. This formal decision-making, however, is secondary to ongoing consultation with a clearly identifiable set of people. The interpretation here is that SME decision-makers engage constituents of their contact networks to enhance or augment their decision-making quality. Whilst in the main the contacts, in terms of decision-making, tend to be informal, in certain circumstances they will be formal. In general, it can be said that much joint decision-making takes place in and as a consequence of the total distribution channel.
- A holistic model of SME marketing was developed (see Figure 55) which draws together the key determinants of SME marketing as identified in this research. The model illustrates SME marketing as an integrated whole. It is impossible to determine a starting point. It is simply an integrated whole and to fully understand the character of SME marketing means that all of the elements must be viewed in such a holistic manner. The model is neither overwhelmingly entrepreneurial nor a reflection of conventional marketing.

Figure 55: Elements of SME Marketing



- Sales in the SME context is not some adjunct of marketing or part of the paraphernalia of the promotions mix but the central tenet of marketing in such enterprises.
- The spectrum of sales competencies in SMEs shows significant overlap with the marketing competency spectrum and thus it can be concluded that it is the sales orientation which actually determines the marketing competency spectrum and hence the marketing character of such firms.
- The operational focus is simply the manifestation of Level 3 marketing competencies, that is the filtering through to marketing practice of immense strategic marketing effort and marketing plans that are often quite comprehensive.
- Standard and conventional marketing training programmes will have limited effect and their value would be short lived. The recommendation here is for programmes aimed at developing and enhancing core competencies in SME personnel and thereby releasing or facilitating enhanced marketing skills in the process.
- Similarly, there needs to be a stronger recognition of the sales orientation of SMEs. There is insufficient recognition of the extent to which sales influences the character of SME marketing. This study does not regard this sales orientation as problematic for the development of such enterprises. On the contrary it recommends that the sales orientation be fully embraced by government bodies, management educators and academic researchers seeking to improve the marketing fortunes of SMEs.

Lifecycles and crisis points in SMEs: a case approach Jimmy Hill, Clive Nancarrow, Len Tiu *Marketing Intelligence & Planning* Vol. 20 No. 6 [2002] 361–369

- Assumptions about the small firm being a “scaled-down” version of a large firm were challenged (e.g. Wynarczyk *et al.*, 1993; Storey, 1994). Today it is accepted that small businesses are not just “little big businesses.”
- The reality is that as soon as the sales focus is lost the firm ceases to be entrepreneurial, so it is sales that should move from the reactive and functional to the strategic level.
- It is sales and not marketing in the early evolution of SME development that are the foundation for the true trajectory of growth and development in SMEs.
- One depiction of commonality is that there is usually considerable marketing activity in the set-up stages of a new business. Such activity tends to be concerned mainly with products, their pricing and delivery.
- Expert intervention in business and market planning and marketing research would have probably helped as well as the planned development of management skills.
- Marketing is born from the need to specialise as businesses grow and entrepreneurs learn to home in on management skills.

Discovering diversity in marketing practice John A. Murray, Aidan O’Driscoll, Ann Torres, *European Journal of Marketing*, Vol. 36 No. 3, 2002, pp. 373-390.

- Diversity in strategy and structure is normal in any industry, that it is “good” for an industry and furthermore that various configurations of strategy and structure may be equally effective in producing high performance. Their typology indicates that there are several routes to high performance.
- Conventional marketing wisdom appears to relegate diversity in practice to the unimportant. Why this is so is not clear. Some underlying concepts used in marketing beg serious enquiry – segmentation and lifecycle concepts, for example, are inherently concerned with responding to diversity. Perhaps the continuing dominance of a managerial, decision making framework leads to a blind-spot about diversity.
- Typology of successful firm types:
 1. defenders
 2. prospectors
 3. analysers.

- The degree of market orientation is highest in prospector firms, second highest in analysers and third highest in defenders.
- Defenders aim to seal off a portion of the total market by offering stable product lines, which compete on the basis of value and/or price. Defenders typically employ functional structures with a high degree of centralisation in decision making and control. Prospectors continuously seek to locate and exploit new opportunities, and are typically first to market with new products and innovations. They are expected to have flexible, autonomous structures that rely on decentralisation in planning and management. Analysers combine the strengths of defenders and prospectors and thus aim to innovate, while simultaneously maintaining a stable base in traditional product markets. Analysers avail themselves of a mixed structure, e.g. matrix, where managers act as integrators between resource groups or programme/market units with the intent of being concurrently efficient and flexible.
- Building the corporate name and image is of paramount importance to capturing new adopters of new technical solutions.
- Many managers in a major Irish multinational believed that marketing had too high a status in what was a low-tech, production-driven, business-to-business marketplace. During the latter part of the third phase and into the fourth, the formal marketing apparatus was largely dismantled. Soon there was neither marketing department nor marketing managers. Marketing was, of course, still conducted but it was now diffused throughout the organisation. The sales force undertook many marketing activities in addition to their traditional sales task.
- A major Irish multinational always scored highly in competitive comparisons in areas of sales representation, customer service and relationship marketing, product quality and new product development and has had a notable market orientation. It achieves this currently with two formally titled marketing personnel, compared to over 20 in phase two and early phase three.
- The company established and maintained its dominance by emphasising innovation within the defender stance and by successfully deflecting competition from new entrants who generally pursue cost-based defender positions. The differentiated defender approach was pursued even when short term gain from continuing innovation was absent. Firm X' continuing investment in R&D, balancing levels of innovation with quotidian efficiency, is an interesting illustration of such commitment –
- Firms founded at different phases in the life of a population enter with different strategies and forms and are often likely to retain these forms through subsequent phases. The marketing practices of r-specialists (rapid market entry and growth combined with product design "bets" and high prices supporting relatively inefficient structures and processes in search of first mover advantage) can sit alongside those of K-generalists (early follower strategies, promotion of a dominant design/standard, product standardisation and incremental improvement, competitive pricing supported by operational efficiency, outsourced distribution for low cost) which may, in turn, sit alongside those of K-specialists (deep segment focus, segment dominance, incremental product improvement, value-based pricing).
- A business system consists of the linked set of activities that turns raw material and novel ideas into final consumption products and services. Such systems incorporate multiple linked industries (Murray and O'Driscoll, 1996). In the consumer food business system, for example, the farm inputs, farm production, food processing, branded food manufacturing, food wholesaling and food retailing industries, as well as supporting industries such as food packaging or food temperature control, are all bound together in an elaborately inter-linked and complex system.
- In such a richly joined and interdependent business system, complexity theory predicts that, for example, small changes in one part of the system may produce radical effects on the whole system (and vice versa).
- High spec buyers or end customers eliminate conventional marketing activity by specifying product and application to both parties.
- The conceptualisation of business systems as complex adaptive systems consisting of interdependent co-evolving populations, or industries, allows for the appearance of revolutionary change.

Organisational and managerial drivers of effective export sales organisations - An empirical investigation

Eva S. Katsikea Dionisis A. Skarmeas, *European Journal of Marketing* Vol. 37 No. 11/12, 2003 pp. 1723-1745

- Hyman and Yang's (2001) review of 669 articles between 1985-1998 in "leading international marketing journals" reveals that personal selling and sales management issues is a topic that was not studied within this period in any systematic fashion.
- The effective export sales organisation is the one which meets and exceeds the goals set for it by the management and beats foreign market competition in sales, market share, profitability and customer satisfaction.
- High-effectiveness export sales organisations are characterised by greater levels of export sales management behavioral control than relatively low-effectiveness export sales units.
- Sales organisations exhibiting greater attention to sales territory design aspects are distinguished by higher levels of sales volume, market share, and customer satisfaction.
- The benefits of right sized foreign sales territories for the export sales organisation are more thorough coverage of the international market place, reduction of overseas selling expenses, improved job clarity for the export manager, better fit between sales resources and customer needs, and more specific performance evaluation.
- Lack of research on export sales management issues.
- Upper management in highly performing export sales organisations is involved to a greater extent in monitoring, directing, evaluating, and rewarding activities.
- Greater attention to sales territory design aspects are distinguished by higher levels of sales volume, market share, and customer satisfaction.
- In comparison with low-effectiveness export sales organisations, highly effective export sales units are characterised by better structured export sales organisation designs.
- High-effectiveness export sales organisations are likely to have export managers who get a sense of accomplishment from their work and are highly respected within the organisation, possess thorough product knowledge, expert selling skills and sales experience, cooperate as an integral part of an export sales team and focus on satisfying overseas customer needs.
- Managers in highly effective export sales units are expected to exhibit technical knowledge, practice adaptive selling, deliver effective export sales presentations, plan export sales strategies and support export sales.
- Managers' adaptation of selling approaches from one foreign customer to another and variation of sales style from situation to situation; clear and concise communication of export sales presentations and profound understanding of overseas customers unique problems and concerns; thorough planning of export sales strategies for each foreign customer and detailed organisation of daily activities concerned with exporting; provision of after sales-service for foreign customers and handling of overseas customer complaints; and keeping abreast of the company's production and technological developments.

RELEVANT ACADEMIC LITERATURE ON INNOVATION CAPABILITIES IN SMEs

A review of international academic literature pertaining to SME innovation and in particular the work of Kim and Mauborgne, Christensen, and Chesbrough and Teece, highlights the importance of understanding the industry context in which SMEs operate in order to maximise innovation development. The following is a summary of research by the three international academics.

Value Innovation

Having conducted a five-year study of high-growth companies and their less successful competitors, Kim and Mauborgne⁴⁹ suggest that the best performers pay little attention to beating their rivals, seeking instead to make them irrelevant. These companies take a fresh look at their industries' sources of value (especially customer value) and then change their products, services, delivery platforms, assets, and capabilities to provide that value in the most profitable way. This means ignoring the assumptions and performance of others in the industry, finding common demands across market segments and offering customers total solutions, even if these go beyond the industry's traditional boundaries. In short, it means behaving like a new entrant to the market, shifting assets and capabilities with total freedom.

Disruptive Innovation

In *The Innovator's Dilemma* Christensen⁵⁰ differentiates between 'sustaining' and 'disruptive' technologies. 'Sustaining' technologies improve the performance of existing products, even if these technologies are totally new. He argues that these technologies are highly valuable and relatively low risk, rarely leading companies to their downfall. On the other hand, 'disruptive' technologies pose a different kind of challenge, frequently being neither sufficiently developed, functional, reliable or scalable to appeal to mainstream customers, at least initially. These technologies are not viable for large companies, because they fail to meet the immediate needs of major customers, appeal only to small markets, provide no opportunity for traditional market analysis or evaluation, and demand a significant reorientation of assets and capabilities. Instead, these technologies are developed by new entrants, emerging in the medium term as a superior alternative to traditional products. Christensen provides a framework for spotting these technologies and suggests that large companies set up small, independent organisations to develop them in their initial stages.

Systemic vs. Autonomous Innovation

Chesbrough and Teece⁵¹ address the question of whether it is better to innovate in-house or collaboratively. They identify two categories of innovations: 'autonomous' and 'systemic'. A new turbocharger, for example, is an autonomous innovation because it can be developed without redesigning the rest of the car. These innovations are usually best developed in partnerships or within a highly decentralized organisation. This flexible approach allows several suppliers to produce or develop components in parallel while the less successful suppliers can be quickly dispensed with. Systemic innovations, such as a new generation of computer operating system, only produce benefits if pursued in tandem with complementary innovations, such as new software and hardware. The owners of each part of the system must work closely together, but if their interests diverge or if they lack unified control this co-operation may break down. Worse, one of the parties, having captured much of the system's value, may choose to co-operate with a competitor instead. For this reason, systemic innovations are best handled in-house. If they depend on outside capabilities, the necessary collaboration must be handled with great care, especially the ownership of the most valuable parts of the system.

49 W. Chan Kim and Renee Mauborgne, 'Value Innovation: The Strategic Logic of High Growth', Harvard Business Review, January – February 1997

50 Clayton M. Christensen, 'The Innovators Dilemma – When New Technologies Cause Great Firms to Fail', Harvard Business School Press, 1997.

51 Henry W. Chesbrough & David J. Teece, 'Organising for Innovation: When is virtual virtuous?', Harvard Business Review, August 2002.

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Further sources of information used for background Innovation research

All of the following articles and studies were accessed online (apart from MII articles), under the websites of the international consulting firms and the DTI.

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- Benchmarking Irish Industry - Questionnaire, 2004
- MII Quarterly - Exploring Innovation – Issue 1 2003
- MII Quarterly – Developing small and medium size businesses – Issue 3 2003

Department of Trade and Industry, UK (DTI)

- Benchmarking Index - Closing the marketing gap
- Benchmarking Index –Marketing Questionnaire 2002
- Innovation Report: Competing in the global economy: the innovation challenge – December 2003

Accenture:

- The Innovator's Advantage – 2003 Report by O'Mahony, Padmore, and Suh
- Good Ideas are not enough: Adding Execution Muscle to Innovation Engines, Survey & Analysis – Ajit Kambil 2003 (www.accenture.com)
- Turning Ideas into Results – April 2002, Chief Executive magazine –(survey & analysis by Accenture of 350 CEOs)
- Anyone here have bright ideas, Reinhardt Ziegler: Outlook 2002, Number 1

Arthur D. Little

- The Innovative Company – Using Policy to promote the development capacities for innovation, Arthur D. Little, February 2001
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- Managing the Marketing R&D Interface: Prism 1994_Q4_01-08

AT Kearney

- Innovation: a Wealth of Contradictions
- Mastering Innovation Management
- Your customer your boss

APPENDIX 6: MARKETING AND SELLING CAPABILITIES SCORECARD

1. COMPANY

1.1 Company Details

Company Address:

Tel _____ Fax _____ Email _____ Website: _____

Interviewee: _____ Position: _____

Interviewer: _____

Date: _____

1.2 Company Profile

- Year established
- Number of employees
- Sector
- Turnover
- % Growth between 2003 and 2000
- Number of countries actively selling to

2. MARKETING & SALES STRATEGY PROCESSES

2.1 The Company's Marketing & Sales Strategy

Which statement best describes your company.

Please mark one box only with an "X"

a. The company has no formal plan – it is in the owner's head	
b. A plan is prepared that addresses sales targets and overheads	
c. A detailed plan is produced with clear objectives, targets, activities, resources, etc. covering the whole company	

2.2 What is preventing you from delivering option 'c'?

2.3 The company's selling process

Which statement best describes your company.

Please mark one box only with an "X"

d. The company has no formal sales planning or processes	
e. Customers/regions are allocated to sales executives who make their own decisions regarding visits, etc.	
f. The company operates a rigorous and systematic sales pipeline management process to identify, qualify and target best prospects/customer segments	

3. SKILLS BASE

3.1 How many employees are currently involved in a dedicated sales & marketing role and how is this expected to change over the next three years?

	Today		By end 2006	
	Marketing	Sales	Marketing	Sales
Full-time				
Part-time (e.g. ?)				
Total Numbers				

3.2 Do you employ your own country's executives fluent in the language of non-English speaking export markets or do you employ local/native speakers? How important is this in your business?

3.3 How many employees have sales & marketing qualifications?

(includes business/other degrees with sales & marketing modules)

	Marketing	Sales
a. Cert/Diploma		
b. Degrees		
c. Other qualifications (state):		

3.4 Are the sales and marketing skills gained through these formal qualifications meeting your business needs?

3.5 What sales and marketing training do you provide for your employees?

Please mark only one box in each column with an "X"

Training	Marketing	Sales
Ad hoc on the job training		
Occasional professionally delivered short courses		
Planned annual training to meet changing customer & market requirements		

Any Further Comments:

3.6 Where does your company need to strengthen your sales and marketing skills base?

Please mark all boxes that apply with an "X"

Marketing Planning	Sales Management	Product/Category Management	Market Research	Promotion & Branding	New Product Development	Intellectual Property Commercialisation

Additional Comments

QUESTION FOR HI-TECH SECTORS ONLY:

3.6.1 Do your technical people involved in the sales process have the necessary sales and marketing skills? Please comment.

3.7 How do you go about recruiting marketing and sales people and what difficulties have you faced in doing so, if any?

4. CUSTOMER FOCUS

4.1 Does your company gather, maintain and update information/records on existing and potential customers?

Please mark only one box in each column with an "X"

	Trade Buyers	End-Users/ Consumers
a. No structured system for gathering customer information		
b. Limited informal customer database in place, mainly just used as a mailing list		
c. Systematic customer information gathering process in place, using sales rep feedback, market research and customer surveys		

4.2 Does your company carry out market segmentation?

Please mark only one box in each column with an "X"

	Trade Buyers	End-Users/ Consumers
a. Basic segmentation by product		
b. Segmentation by customer sales and profitability		
c. Detailed segmentation by product, customer sales/ profitability, and growth markets		

4.3 Does your company respond to changes in customer needs?

Please mark only one box in each column with an "X"

	Trade Buyers	End-Users/ Consumers
a. No monitoring or recording of customer feedback		
b. Customer queries & complaints are recorded		
c. Results of customer surveys and causes of complaints are fed into strategic, marketing and sales planning		

5. MARKETING INFORMATION SYSTEMS

5.1 Market Research

	Trade Buyers	End-Users/ Consumers
a. Little or no market research carried out.		
b. Off-the-shelf reports are purchased from time to time		
c. Regular market research on customers, markets and competitors and this information is integrated into marketing and sales planning		

6. INNOVATION

6.1 New Product Development (NPD) Process

Please mark one box only with an "X"

a. Ad hoc, no standard approach	
b. Projects listed for the year and resources allocated	
c. Formal process used that involves cross functional teams and NPD methodologies	

6.2 Where has your company obtained its new business within the last year?

(please insert %)

	% of Total Turnover	
a. New geographical markets		%
b. New market segments		%
c. New products/services		%
d. New customers		%
Total new business generated from a) to d)		%

6.2.1 Number of new products / services introduced in the last year?

Products _____ Services _____

6.3 Where does your company focus on innovation?

Please mark one box only in each row with an "X"

6.3.1

Area of innovation focus / impact	Area of innovation		
	None	Incremental	Breakthroughs
a. Products			
b. Services			
c. Customer experience			
d. Manufacturing processes			
e. Technology			
f. Channels to market			
g. Business model			

6.3.2 What is the most significant recent example of innovation by your company?

6.4 Investment in innovation

How active is your company with regard to innovation?

Please mark one box only with an "X"

Innovation is ad hoc	
Continuous innovation is part of our strategy	

6.5 Sources of innovation

What are the sources of innovation in your company?

Please mark all boxes that apply with an "X"

a. We look for new ideas from all areas and staff	
b. Top management strategy team only	
c. Customers	
d. Suppliers	
e. Universities and research centres	
f. Alliances	

6.6 The Innovation Process

6.6.1 How structured is your company's approach to innovation at the various stages of the process?

Please mark one box only in each row with an "X"

Stages of overall innovation process	Ad hoc	Formal
a. Ideas generation		
b. Systematic market scans to identify most promising creative concepts		
c. Allocation of sufficient skilled resources in cross-functional teams		
d. Using pilot projects to test the idea, the business case for it, and any operational changes required		
e. Scaling up from prototype to commercial product or service		
f. Providing adequate organisational resources to successfully launch the new product or service		

6.6.2 Any other comments?

6.7 Innovation Barriers / Strengths

6.7.1 How does your company rate on the following innovation capabilities?

Please mark one box only in each row with an "X"

	Weak	Strong
a. Clear innovation strategy		
b. Organisation-wide innovation culture		
c. Innovation incentivised through goals and rewards		
d. Screening process in place to identify and select best ideas		
e. Available skilled people for innovation projects		
f. Project management skills		
g. Linkages with universities / research centres		
h. Appropriate metrics used to measure innovation performance		

6.7.2 Any other barriers?

7. BRANDING & PROMOTION

7.1 Does your company have an active approach to developing a strong corporate brand image?

Which statement best describes your company.
Please mark one box only with an "X"

a. Limited attention or budget devoted to corporate brand building	
b. Company is trying to build awareness but in an unplanned manner	
c. Company has a corporate image and brand development plan based on clear analysis and determination of company's competitive positioning	

7.2 Does your company have a formal promotional budget and plan?

a. Ad hoc: promotional expenditure carried out without detailed plan or budget	
b. Formal promotional plan and budget with cost-benefit analysis	

7.2.1 Estimated promotional spend as a percentage of Sales:

8. USE OF INFORMATION & COMMUNICATION TECHNOLOGIES

8.1 Internet use for marketing and sales purposes

Which statement best describes your company.
Please mark one box only with an "X"

a. Company has a simple static "brochure" type website containing limited content such as company and product descriptions	
b. Company uses website to promote its image and provide detailed product specifications, pricing, and other user relevant content. Site has some interactivity e.g. search facilities, e-newsletters but e-business functionality not a feature.	
c. Company uses interactive, design-led, content rich website as an integral part of company's sales and marketing processes. Site updated regularly; provides for B2C/B2B e-commerce or e-business functionality where relevant and other user friendly functional features	

8.2 Use of IT systems by sales staff in sales process

Which statement best describes your company.
Please mark one box only with an "X"

a. No use of IT systems in sales process	
b. Use of IT systems in order taking and customer queries confined to sales office	
c. Effective IT systems integrated into the entire sales management process to improve sales rep and sales office efficiencies and reduce costs	

(FINAL SECTION RE: Policy Recommendations & Areas for Open Discussion)

9. CRITICAL SUCCESS FACTORS

Looking back, what were the 3 most important things that your company did which led to success in the marketplace?

1 _____
2 _____
3 _____

10. BARRIERS TO IMPROVING MARKETING & SELLING SKILLS

(Identify & Discuss)

11. OPPORTUNITIES FOR DEVELOPING MARKETING & SELLING CAPABILITIES

(Identify & Discuss)

12. BEST PRACTICE AMONG COMPETITORS

Which small or medium size company in your industry do you rate as the best at sales and marketing, and why?

APPENDIX 7: OUTPUT OF GRADUATES FROM THIRD LEVEL INSTITUTIONS

Note: Data refer to 2002-2003 period. Some institutions have subsequently introduced new courses and amalgamated others.

	Undergraduate			Post Grad	Element	
	Cert	Dip.	Deg		Major	Minor
Dublin City University	PhD In Business Studies			1		1
	Masters in Business Studies in Marketing			17	17	
	Masters in Business Studies			2		2
	Masters in Business Studies in Strategic International Marketing			12	12	
	Masters in Business Studies in Electronic Commerce (Business)			25		25
	International Masters in Business Administration			29		29
	Masters Degree in Business Administration			27		27
	Bachelor in Business Studies			83		83
	Bachelor of Business Studies (with INTRA)			112		112
	Bachelor of Arts in European Business & Language			55		55
	Bachelor of Arts in International Business & Languages			49		49
Bachelor of Arts in International Marketing and Languages			39	39		
National University of Ireland, Galway	Masters in Business Studies in Marketing			22	22	
	Master of Business Studies (Research)			1		1
	MBS In Corporate Strategy and People Management			17		17
	Masters Degree in Business Administration			24		24
	Masters Degree in Commerce			1		1
	Higher Diploma In Marketing Practice			24	24	
	Higher Diploma In Business Studies			53		53
	Degree in Commerce			300		300
	Degree in Commerce (International) with a Language			39		39
Trinity College Dublin	Masters in Business Administration			32		32
	Bachelor of Business Studies			29		29
	Bachelor of Business Studies & a Language			16		16
University College Cork	Higher Diploma In Management and Marketing			43	43	
	Bachelor of Commerce			10		10
University College Dublin	Master of Science in Marketing Practice			45	45	
	Master of Science in Commerce			10		10
	Masters in Business Administration			4		4
	Masters In Business Studies (Marketing & Intl Marketing)			40	40	
	Higher Diploma in Business Studies			203		203
	Higher Diploma in Entrepreneurial Studies			19		19
	Bachelor of Commerce			397		397
	Bachelor of Business Studies			27		27
National Diploma in Business Studies		7			7	
University of Limerick	Postgraduate Diploma in Business Administration			30		30
	Bachelor of Business Studies			280		280
	Bachelor of Business Studies in Marketing			100	100	
Athlone Institute of Technology	Bachelor of Business Studies			129		129
	Bachelor of Business Studies in Tourism and Hospitality			20		20
	National Diploma In Business Studies in Hotel and Catering		17			17
	National Diploma in Business Studies in Marketing		75		75	
	National Diploma In Business Studies in European Business		32			32
	National Certificate in Business Studies	184				184
	National Cert in Business Studies In Hotel and Catering Mgmt	14				14
	National Cert in Business Studies in Sport and Recreation	31				31
Cork Institute of Technology	Bachelor of Business Studies			253		253
	National Diploma in Business Studies in Marketing		146		146	
	Certificate in Business Studies	187				187

	Undergraduate			Post Grad	Element	
	Cert	Dip.	Deg.		Major	Minor
Dun Laoghaire Institute of Art, Design and Technology	Bachelor in Business Studies		17			17
	National Diploma in Business Studies		27			27
	National Diploma in Business Studies in Electronic Commerce		30			30
Dundalk Institute of Technology	MBS in Entrepreneurship and Marketing			9	9	
	Master of Business Administration			17		17
	Bachelor of Business Studies		76			76
	National Diploma in Business Studies		109			109
	National Diploma in Business Studies in Marketing		5		5	
	National Diploma In Business Studies in International Business		13			13
	National Certificate In Business Studies	121				121
	National Certificate in Business Studies in Marketing	15			15	
Galway-Mayo Institute of Technology	Bachelor of Business Studies		169			169
Institute of Technology, Blanchardstown	Bachelor of Arts In Business Studies with a Language		12			12
	Bachelor of Business Studies		39			39
	National Diploma in Business Studies		44,			44
	National Certificate in Business Studies	40				40
Institute of Technology, Carlow	Bachelor of Business Studies in Services Marketing		29		29	
	National Diploma in Business Studies in Marketing		59		59	
	National Diploma in Business Studies in International Business		25			25
	National Certificate in Business Studies	131				131
Institute of Technology, Tallaght	Bachelor of Business Studies in Marketing Management		22		22	
	Bachelor of Business Studies In Marketing and Languages		33		33	
	Bachelor of Business Studies in Management		82			82
	National Diploma in Business Studies in Marketing		65		65	
	National Diploma in Business Studies in Management		136			
	National Diploma in Business Studies in Marketing & Languages		43		43	
	National Cert in Business Studies in Marketing and Languages	23			23	
	National Cert in Business Studies In Business Administration	86				86
National Certificate In Business Studies in Marketing	63			63		
Letterkenny Institute of Technology	Bachelor of Business Studies		40			40
	National Diploma in Business Studies		45			45
	National Diploma in Business Studies In European Languages and Business		10			10
	National Certificate In Business Studies	57				57
Limerick Institute of Technology	Master of Business Studies in Marketing			1	1	
	Bachelor of Science in Marketing		73		73	
	National Diploma in Business Studies in Marketing		72		72	
	National Certificate in Business Studies in Marketing	66			66	
Institute of Technology, Sligo	Bachelor of Business Studies		207			207
Dublin Institute of Technology	Master of Science Marketing (Business to Business)			6	6	
	Master of Science in Marketing (International)			9	9	
	Master of Science in Marketing (Direct Marketing)			6	6	
	International Masters in Business Administration			16		16
	Master of Science in Strategic Management			8		8
	Bachelor of Science in Marketing		122		122	
	Bachelor of Science in Tourism Marketing		35		35	
	Bachelor of Science in Business and Management		82			82
	Bachelor of Science in Retail and Services Management		30			30
	National Diploma In Marketing and E-Business		21		21	
	National Diploma in Business Management		94			94
	Certificate In Marketing	71			71	
	Certificate In Retail Marketing	19			19	
	Certificate in Business Management	12				12
	Certificate in Business Studies	41				41
Certificate in Retail Enterprise Management	8				8	

		Undergraduate			Post Grad	Element	
		Cert	Dip.	Deg.		Major	Minor
Institute of Technology, Tralee	Bachelor Of Business Studies			86			86
	National Diploma in Business Studies		69				69
	National Diploma in Business Studies in International		10				10
	National Dip in Business Studies in Tourism and Languages		13				13
	National Diploma in Business Studies in Tourism		34				34
	Advanced Certificate in Business Studies	7					7
	National Cert in Business Studies in Languages and Business	8					8
	National Certificate in Business Studies	91					91
Waterford Institute of Technology	Master of Business Studies				1		1
	Bachelor of Business Studies			192			192
	Bachelor of Arts in Legal and Business Studies			60			60
	Bachelor of Arts in Hospitality Management			7			7
Tipperary Institute	Bachelor of Business Studies in Small and Medium Enterprise			12			12
	Diploma in Business Studies		46				46
Dublin Business School	Graduate Diploma in Business Studies		122				122
	Bachelor of Arts in Business Studies			17			17
	Bachelor of Arts in Marketing			11		11	
	National Certificate in Business Studies	20					20
	National Certificate in Business Studies in Marketing	15				15	
Griffith College, Dublin	Bachelor of Arts in Business Studies			30			30
	National Certificate in Business Studies	13					13
Portobello College	Bachelor of Arts in Business Studies			100			100
	Bachelor of Arts in Marketing			40		40	
HIS College, Limerick	National Diploma in Business Studies in Marketing		23			23	
	National Certificate in Business Studies	21					21
Irish Management Institute	Bachelor of Arts in Management			32			32
	National Diploma in Business Studies in Business Strategy		21				21
National College of Ireland	Bachelor of Arts In European Business Studies and Languages			20			20
Skerry's College Cork	National Certificate in Business Studies	24					24
The American College Dublin	Bachelor of Arts in International Business			14			14
	Bachelor of Arts in International Tourism			1			1
Grand Totals		1,368	1,413	3,628	754	1,519	5,644

Sources

DIT, LIT	Directly from IT
Other ITs & Private Institutions	Report: Business Statistics for Graduates of Business courses 2003, HETAC
DCU	DCU website (www.dcu.ie)
NUI Galway	Directly from University (all 2003 data except for MBA 2002)
TCD, UCC and U of L	Directly from University
UCD	President' Report 2001/02; postgraduate course details directly from the Smurfit School of Business

Notes

All data from 2003 except for NUI Galway MBA (2002) and UCD undergraduate courses (2001/02). Data includes awards to both part-time and full-time students

APPENDIX 8: INDUSTRY TRAINING & DEVELOPMENT PROGRAMMES

Programme	Description	SME Participants	Qualifications	Comments
Enterprise Ireland				
Marketing Skills for Profitable Export Growth	Helps companies develop skills & capabilities to employ Marketing Strategies. Six months; delivered regionally – includes in-house support	90	Certificate in Marketing Practice from MII	Develops Strategic Marketing Plan. EI manage panel of approved consultants who deliver courses
True Marketing	For Speciality Food Sector - aimed at MDs & Business Development Executives.	30	N/A	Develops tailored sales & marketing package working with Bord Bia & IEA
First Flight Process	Process to help clients to assess their export readiness.	60	N/A	Companies self-assess readiness for export & develop Action Plan with EI Development Advisor
Selling to the European Buyer	Aims to convert contacts in European markets into long-term, profitable relationships.	16	Certificate in Selling to the European Buyer from MII	Develops sales strategy.
Transform	Strategic / change management for owner managers / senior teams. 30 days, incl 2 days residential + counselling; incl. overseas visit.	9	Certificate from IMI	Develops strategic business plan for EI clients in engineering and print & packaging sectors; first programme completed
Manufacturers Reps Workshops	Practical workshop focussed on appointing & managing manufacturers' reps in US.	20	N/A	Get most from overseas agents/rep's in achieving profitable sales leads
Managing Agents Overseas	Practical workshop focussed on appointing & managing agents in European markets.	20	N/A	Develops strategies in managing overseas agents.
Value Analysis	Introduces principles of Value Analysis and assists companies identify and implement improvement	5	N/A	Cost reduction programme for design of product
Masters Degree in International Marketing	Two year part-time programme delivered by TCD augmented by visiting lecturers.	30		Concept & design influenced by EI; from EI & IDA companies; First run to complete in 2005.

Programme	Description	SME Participants	Qualifications	Comments
Export Orientation Programme	One year graduate placement programme - 6 months language + 6 months in host country;	40 – 50	Certificate in Marketing Practice from MII	Managed by IBEC; 50% funded by EI (€15k bursary) / 50% firms First certs to be awarded 04.
SalesSTAR	For software CEOs 4 x 2 day sessions over 8 months		23	Sales & sales management in software for CEOs to take back; action-oriented approach based on review of sales pipeline

FÁS

While its main focus is on vocational training, FÁS provides a range of sales and marketing training programmes, and, if required, can develop new, sectoral skills development programmes in response to needs identified by state agencies and industry bodies. While its mandate covers all sectors including those not engaged in exporting, it works closely with Enterprise Ireland providing advice on over 15 programmes for exporting SMEs including the SaleSTAR programme.

Marketing Institute of Ireland

MII Graduateship	Four years; via DIT, Cork IT, DL Senior College and distance learning	392 02/03 – some SMEs	Certificate (152) Diploma (126) Degree (114)	MII is a recognised certifying body – the certificate can be in Marketing or Selling
Open MII Courses				
Brand Management	Five months X 1 day per month	Two courses '03 - 19+13 trainees	Certificate from MII	
Integrated Marketing Communications	Five months X 1 day per month	One course '03 – 15 trainees	Certificate from MII	
Marketing Skills	One year; via a college	Not yet run	Certificate from MII	

Irish Management Institute

Business Development Programme	36 days over 15 months, incl 2 days residential & 1 in-company session per month	One course x 20 SME owner mgrs x 18 mnths		Increases ability to grow businesses; also being run under licence overseas
General Management	10 days – 5 x 2 days residential + in-company support	One course x 20 SME owner managers pa		Develops management skills (incl sales & marketing)
Managing Long Term Growth	Three day programme	SME owners & managers		Develops strategies and action plans
Essentials of Marketing Management	Four day programme for newcomers to marketing	< 5% SMEs		
Sales Management	Nine day programme for Sales Directors / Managers	< 5% SMEs		
Managing Field Sales	Three day programme for Sales Managers	< 5% SMEs		
Major Account Management	Six day programme for Account Managers	< 5% SMEs		

Programme	Description	SME Participants	Qualifications	Comments
Diploma in Strategic Marketing Management	Programme delivered over 24 days for experienced marketeers	One course x 18 trainees pa - 1 or 2 SMEs		
Sales Institute of Ireland				
Certificate and Diploma courses	Part-time courses held in DIT and Cork IT over one year	Max 50 students pa, mainly large national firms		Requires attendance during working hours which limits its popularity
Certificate in Selling Skills	New blended workshop and e-learning course to be launched in 2004.	Suitable for SMEs & can be held anywhere	Certificate in Selling Skills	Based on feedback from members; using content already tested in the UK. First course launched in September 2004 with Irish Computer Society for IT sales professionals.
InterTradeIreland				
Acumen	Marketing/ Sales salary & consultancy support	Target 50, ie 30 consultancy + 20 salary suppt.		Even distribution targeted across island
Focus	Graduate placed in company to increase cross border sales	Pilot of 20 complete; to roll out 30 over 18 months		€20k support - 50% salary + travel / subsistence & equipment

APPENDIX 9:

GLOSSARY OF TERMS USED

CEO	Chief Executive Officer
CFO	Chief Financial Officer
DETE	Department of Enterprise Trade & Employment
DIT	Dublin Institute of Technology
DTI	Department of Trade and Industry (UK)
EGFSN	Expert Group on Future Skills Needs
EI	Enterprise Ireland
ESRI	Economic and Social Research Institute
EU	European Union
FÁS	Training and Employment Authority
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
HEI	Higher Education Institute (third level colleges and bodies)
IBEC	Irish Business and Employers Confederation
ICT	Information and Communications Technology
IDA	Industrial Development Agency
IEA	Irish Exporters Association
IMD	Institute for Management Development
IMI	Irish Management Institute
IP	Intellectual Property
ISA	Irish Software Association
ISME	Irish Small and Medium Enterprises Association
ISO	International Standards Organisation
IT	Information Technology
ITS	Internationally Traded Services
MII	Marketing Institute of Ireland
MNC	Multi-National Corporation
NCC	National Competitiveness Council
NPD	New Product Development
NUI	National University of Ireland
R&D	Research and Development
SFA	Small Firms Association

SII	Sales Institute of Ireland
SME	Small and Medium-sized Enterprises (10-250 employees, up to €40 million sales)
TCD	Trinity College Dublin
UU	University of Ulster

APPENDIX 10: STEERING COMMITTEE

Organisation	Representative
Forfás	Séamus Bannon - Chair
	Michelle Kearney
	Ronnie O'Toole
Forfás, on behalf of Expert Group on Future Skills Needs	Eamonn Cahill
Bord Bia	Muiris Kennedy
Enterprise Ireland	David Hedigan
Marketing Institute	Ed McDonald
Dept. Enterprise, Trade & Employment	John Newham
	Kieran Grace